



# Bright Start Direct-Sold College Savings Program

Program Disclosure Statement  
& Participation Agreement

The Program is intended to be used only to save for Federal Qualified Higher Education Expenses. 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. Taxpayers may wish to seek tax advice from a tax or legal 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. 7, adopted October 6, 2020.



**Michael W. Frerichs**  
ILLINOIS STATE TREASURER

Trustee and Administrator

**UBT**

Union Bank & Trust

Program Manager

## IMPORTANT LEGAL INFORMATION

This Program Disclosure Statement, together with the Participation Agreement, the Investment Options, the Fund Performance information and the Investment Policy Statement, all of which can be found on the Bright Start Direct-Sold College Savings Program's (the "Program") website, have been identified by the Program as the Offering Material (as defined in the College Savings Plans Network Disclosure Principles, Statement No. 7, adopted October 6, 2020) and are intended to provide substantive disclosure of the terms and conditions of an investment in the Program. This Program Disclosure Statement contains important information you should review before opening an Account in the Program, including information about the benefits and risks of investing. Please read it carefully and save it for future reference. Interests in the Program have not been registered with the U.S. Securities and Exchange Commission (the "SEC"), nor with any state securities commission. Neither the SEC nor any state securities commission has approved or disapproved interests in the Program or passed upon the adequacy or accuracy of this Program Disclosure Statement. Any representation to the contrary is a criminal offense.

Participation in the Program does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses or that a Beneficiary will be admitted to or permitted to continue to attend an Institution of Higher Education.

Except as described herein for accounts invested in the bank savings account Underlying Investment and Bank Savings 529 Portfolio, accounts in the Program are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts in the Program are not guaranteed or insured by the State of Illinois, the Office of the Illinois State Treasurer ("Treasurer"), any other state, any agency, or instrumentality thereof, Union Bank & Trust Company or its authorized agents or affiliates, the FDIC, or any other federal or state entity or person. The value of your account may vary depending on market conditions, the performance of the Investment Portfolios you select, the timing of purchases and fees. The value of your account could be more or less than the amount you contribute to your account. In short, you could lose money. Account owners should periodically assess and, if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objective in mind. FDIC insurance is provided for the Bank Savings Underlying Investment only, which invests in an FDIC-insured omnibus account held by the Program as custodian and/or agent on behalf of each Account Owner/Participant/Beneficiary. Subject to restrictions under applicable laws and regulations, Contributions to, and earnings on, the investments in the Bank Savings Underlying Investment are insured by the FDIC on a per participant, pass-through basis to each account owner up to the maximum limit established by federal law, which currently is \$250,000.

None of the State of Illinois, the Treasurer, or Union Bank & Trust Company shall have any debt or obligation to any Account Owner, Beneficiary or any other person as a result of the establishment of the Program, and none of the State of Illinois, the Treasurer, or Union Bank & Trust Company assumes any risk or liability for funds invested in the Program.

Statements in this Program Disclosure Statement concerning U.S. and Illinois tax issues are provided for general informational purposes and are not offered as tax advice to any person. Each taxpayer should seek advice based on the taxpayer's particular circumstances from a tax or legal advisor.

The Program and its associated persons make no representation regarding the suitability of the Program'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 and the Beneficiary's particular circumstances. You should consult your financial, investment, tax, or other 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 given or made, such other information or representations must not be relied upon as having been authorized by the Program, the Treasurer, the State of Illinois, or Union Bank & Trust Company.

The information in this Program Disclosure Statement is subject to change from time-to-time to reflect changes in the Program's practices and procedures, and changes in the law, 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 Program or in relevant law since the date of this document. If we make changes, we will notify you on the Program website and the changes will become effective immediately upon posting to the Program website. We encourage you to visit the Program website periodically to remain up to date on the Program information.

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.

Prior to July 17, 2017, the Treasurer operated the Bright Start Direct-Sold College Savings Program with a different program manager and different investment managers; Union Bank & Trust Company did not act as Program Manager, and different investment options were offered to Account Owners.

You could lose money (including the principal invested), or not make money, if you invest through the Program.

**IMPORTANT INVESTOR INFORMATION - PLEASE READ**

Before investing in the Program, you should carefully consider the following important points.

1. This Program is open to the residents of any state of the United States. A tax benefit is available to Illinois taxpayers who contribute to the Program.
2. Depending on the laws of the home state of the Account Owner or 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 qualified tuition programs may be available only for investments in the home state's 529 qualified tuition program.
3. Any state-based benefit offered with respect to a particular 529 qualified tuition program should be one of many factors to be considered in making an investment decision.
4. 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 and other 529 qualified tuition programs to learn more about the features, benefits, and limitations of those 529 qualified tuition programs.

Accounts in the Illinois College Savings Pool (the "Pool") are offered and sold through the Program and the Bright Directions Advisor-Guided 529 College Savings Program. The Illinois Student Assistance Commission administers a prepaid tuition program called "College Illinois!"

This Program Disclosure Statement describes only the Accounts available through the Program. Other Illinois Section 529 programs offer different investment options with different investment advisors or different benefits and may be marketed differently from the Program described in this Program Disclosure Statement. Any such other Illinois Section 529 programs may assess different fees, withdrawal penalties, sales commissions, if any, than those assessed by the Program described in this Program Disclosure Statement. You can obtain information regarding other programs in the Pool by visiting the Treasurer's website at [IllinoisTreasurer.gov](http://IllinoisTreasurer.gov). You can obtain information regarding College Illinois! by visiting [collegeillinois.org](http://collegeillinois.org).

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# Bright Start Direct-Sold College Savings Program

## Program Overview

This "Program Overview Section" provides summary information about certain key features of the Program. It is important that you read the entire Program Disclosure Statement and Participation Agreement for more detailed information about the Program.

|   |  |  |
|---|--|--|
| <b>Program Structure and Providers</b><br>(See page 5, 8)                                 | <b>Trustee:</b><br><b>Program Manager:</b>   | Illinois State Treasurer<br>Union Bank & Trust Company (term through July 16, 2024)  |
| <b>Investment Funds</b>   | Vanguard, T. Rowe Price, DFA, Dodge & Cox, BlackRock, Baird Funds, Ariel Investments, Invesco, BNY Mellon, Nuveen and DWS.   |  |
| <b>Program Contact Information</b>  | Bright Start Direct-Sold College Savings Program<br>PO Box 85298, Lincoln, NE 68501  | BrightStart.com<br>877.432.7444  |
| <b>Illinois State Income Tax</b><br>(See "Federal and State Tax Considerations", page 30) | <ul style="list-style-type: none"> <li>• <b>Illinois tax benefits are available only to Illinois taxpayers.</b></li> <li>• Contributions may be deductible up to \$10,000 per tax return (\$20,000 if married filing jointly).</li> <li>• Illinois state income tax on earnings is deferred.</li> <li>• Earnings portion of a Federal Qualified Withdrawal is not subject to Illinois state income tax.</li> <li>• Earnings portion of a Federal Nonqualified Withdrawal is subject to Illinois state income tax.</li> <li>• Rollovers to an out-of-state qualified tuition program and Illinois Nonqualified Withdrawals, including withdrawals for elementary or secondary public, private or religious school, are subject to recapture of Illinois state tax benefits.</li> <li>• For taxable years ending on or before December 31, 2024, employers that match employees' contributions to the Program, College Illinois! or the Bright Directions Advisor-Guided 529 College Savings Program are eligible for an Illinois state tax credit.</li> </ul> |  |
| <b>Federal Tax</b><br>(See "Federal and State Tax Considerations", page 30)               | <ul style="list-style-type: none"> <li>• Contributions are not deductible for federal income tax purposes.</li> <li>• Federal income tax on earnings is deferred.</li> <li>• Earnings portion of a Federal Qualified Withdrawal is not subject to federal income tax.</li> <li>• Earnings portion of a Federal Nonqualified Withdrawal is subject to income tax and possibly a 10% federal penalty tax.</li> </ul>   |  |
| <b>Account Owner Eligibility</b><br>(See "Opening and Maintaining an Account", page 10)   | <ul style="list-style-type: none"> <li>• The Program is open to individuals who are at least 18 years old, have a valid Social Security number or taxpayer identification number, and have a valid U.S. address (not a P.O. Box). There are no restrictions on state of residence. The Account Owner may be an individual, certain entities, a custodian under a state UGMA or UTMA account, a trust, state or local government, or a 501(c)(3) organization.</li> </ul>   |  |
| <b>Beneficiary</b><br>(See "Designating a Beneficiary", page 11)                          | <ul style="list-style-type: none"> <li>• The Beneficiary must be an individual with a valid Social Security number or taxpayer identification number. A Beneficiary may be of any age.</li> </ul>  |  |
| <b>Contributions</b><br>(See "Contributing to an Account", page 12)                       | <ul style="list-style-type: none"> <li>• Minimum:</li> <li>• Maximum:</li> <li>• Ways to Contribute:</li> </ul>  | No minimum contribution required.<br>The Maximum Account Balance is \$500,000 per Beneficiary.<br>Check, Automatic Investment Plan, Electronic Funds Transfer, Bright Start GifED, Payroll Contribution, Wire Transfer, Bright Start 529 College Savings Visa® Card "Rewards," Rollover or transfer from another 529 plan. |

# Bright Start Direct-Sold College Savings Program

## Program Overview

|   |  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
|---|--|--------------------|------|---|--|--|---|-------------------------|-------|-------------------------|-------|------------------------------|-------|------------------------------|-------|----------------------------|-------|
| <b>Investment Options</b><br>(See "Investment Portfolios", page 14)   | <ul style="list-style-type: none"> <li>• 3 Index Age-Based options (Aggressive, Moderate, Conservative)</li> <li>• 3 Multi-Firm Age-Based options (Aggressive, Moderate, Conservative)</li> <li>• 3 Index Target Portfolios</li> <li>• 3 Multi-Firm Target Portfolios</li> <li>• 17 Individual Fund Portfolios</li> <li>• Investment changes allowed twice per calendar year or upon a change of Beneficiary.</li> </ul>   |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| <b>Program Costs</b><br>(See "Program Fees and Expenses", page 25)  | <table> <tr> <td><b>Account Fee</b></td><td>none</td></tr> <tr> <td><b>All-in Portfolio Costs</b><br/>(includes underlying investment expenses, program management fee, and state fee)</td><td></td></tr> <tr> <td></td><td><b>Average Total Annual Asset Based Fee</b></td></tr> <tr> <td>Index Age-Based Options</td><td>0.11%</td></tr> <tr> <td>Index Target Portfolios</td><td>0.12%</td></tr> <tr> <td>Multi-Firm Age-Based Options</td><td>0.36%</td></tr> <tr> <td>Multi-Firm Target Portfolios</td><td>0.33%</td></tr> <tr> <td>Individual Fund Portfolios</td><td>0.29%</td></tr> </table>   | <b>Account Fee</b> | none | <b>All-in Portfolio Costs</b><br>(includes underlying investment expenses, program management fee, and state fee) |  |  | <b>Average Total Annual Asset Based Fee</b> | Index Age-Based Options | 0.11% | Index Target Portfolios | 0.12% | Multi-Firm Age-Based Options | 0.36% | Multi-Firm Target Portfolios | 0.33% | Individual Fund Portfolios | 0.29% |
| <b>Account Fee</b>  | none   |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| <b>All-in Portfolio Costs</b><br>(includes underlying investment expenses, program management fee, and state fee) |  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
|   | <b>Average Total Annual Asset Based Fee</b>  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| Index Age-Based Options   | 0.11%  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| Index Target Portfolios   | 0.12%  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| Multi-Firm Age-Based Options  | 0.36%  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| Multi-Firm Target Portfolios  | 0.33%  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| Individual Fund Portfolios  | 0.29%  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| <b>Risk Factors</b><br>(See "Certain Risks to Consider", page 38)   | <p><b>Except as described herein for investments in the Bank Savings Underlying Investment, investments in the Program are not insured by the FDIC. Investments in the Bright Start Direct-Sold College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank &amp; Trust Company, the Federal Deposit Insurance Corporation, or any other entity.</b></p> <ul style="list-style-type: none"> <li>• Opening an Account involves certain risks, including:             <ul style="list-style-type: none"> <li>– the value of your Account may decrease, you could lose money, including the principal you invest;</li> <li>– state or federal tax law changes;</li> <li>– Program changes, including changes in fees;</li> <li>– the Program may add, terminate or merge investment Portfolios;</li> <li>– the Program may change underlying investment vehicles or change allocations;</li> <li>– an investment in the Program may adversely affect the Account Owner's or Beneficiary's eligibility for financial aid or other benefits.</li> </ul> </li> </ul>  |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |
| <b>Federal Qualified Withdrawals</b><br>(See "What Constitutes a Federal Qualified Withdrawal", page 31)          | <p>Assets in your Account can be used to pay for the Beneficiary's Federal Qualified Higher Education Expenses, which include:</p> <ul style="list-style-type: none"> <li>• tuition, fees, books, supplies, and equipment required for enrollment or attendance of a Beneficiary at an Institution of Higher Education;</li> <li>• expenses for room and board (with certain limitations) incurred by students who are enrolled at least half-time;</li> <li>• expenses for the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services if it is to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education;</li> <li>• expenses for special needs services in the case of a special needs Beneficiary which are incurred in connection with such enrollment or attendance;</li> <li>• tuition, fees, books, supplies, and equipment required for participation of the Beneficiary in an Apprenticeship Program;</li> <li>• payments on Qualified Education Loans of the Beneficiary or a sibling of the Beneficiary, subject to a \$10,000 aggregate limit; and</li> <li>• expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, subject to an annual \$10,000 per Beneficiary limit (this expense is not an Illinois Qualified Expense – see page 7 for Illinois Qualified Expenses and page 36 for "What Constitutes an Illinois Qualified Expense").</li> </ul> |                    |      |   |  |  |   |                         |       |                         |       |                              |       |                              |       |                            |       |

## Bright Start Direct-Sold College Savings Program

### INTRODUCTION

The Bright Start Direct-Sold College Savings Program (the "Program") is part of the Illinois College Savings Pool (the "Pool"), for which the Illinois State Treasurer (the "Treasurer") serves as trustee (the "Trustee"). The Pool is an education savings program authorized by the State of Illinois and is designed to qualify as a tax-advantaged savings program under Section 529 of the Internal Revenue Code (the "Code") and the proposed regulations thereunder. 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 yourself. The Program is a convenient and tax-advantaged way to save for certain costs of attendance at an Institution of Higher Education.

You may open and contribute to a Program Account regardless of your income. Investment earnings on your Program Contributions accumulate on a tax-deferred basis, and withdrawals are exempt from federal and Illinois state income tax if they are used to pay for the Beneficiary's Federal Qualified Higher Education Expenses. The aggregate balance limit for Accounts for a Beneficiary in the Program and any additional accounts in other Illinois Section 529 Programs is \$500,000.

In addition, individuals who contribute to the Program and file an Illinois state income tax return generally are allowed to deduct from their adjusted gross income for Illinois state income tax purposes up to \$10,000 of Contributions per year (\$20,000 for married taxpayers filing jointly) for total combined Contributions to Illinois Section 529 programs. An Illinois taxpayer who deducted Contributions on his or her Illinois state income tax return in a prior year may be required to include on his or her Illinois state income tax return in the year of withdrawal, all or a portion of the amount previously deducted if the withdrawal is an Illinois Nonqualified Withdrawal. Consult with your financial, tax, or other advisor before making a withdrawal from the Program.

Under federal law, the Program must prohibit the Account Owner and the Beneficiary from directing the investment of any Contributions (or earnings thereon) more than two times in a calendar year. You may choose a balance of equity, real estate, fixed income, bank deposits, and/or money market investments relating to your Account based on the available Portfolios described in this Program Disclosure Statement. The Program has over twenty-five (25) investment portfolios from which to choose.

This Program Disclosure Statement describes only the Bright Start Direct-Sold College Savings Program. The Treasurer also offers the Bright Directions Advisor-Guided 529 College Savings Program, which offers different investment options, and has different fees than those offered under the Program. For more information you may visit the Treasurer's website at [IllinoisTreasurer.gov](http://IllinoisTreasurer.gov).

All capitalized terms shall have the respective meanings given to them in the "Definitions of Key Terms" Section beginning on page 6.

### PROGRAM HIGHLIGHTS

**Eligibility.** The Program is open to residents of any state, not just residents of Illinois. There are no income restrictions.

**Contribution Amounts.** The Program has no required minimum Contribution, and you may make additional Contributions at any time. However, the Maximum Account Balance for Accounts for a Beneficiary under the Program and any additional accounts in other Illinois Section 529 Programs is \$500,000.

**Federal Qualified Withdrawals.** Money in your Account may be withdrawn to pay the Beneficiary's Federal Qualified Higher Education Expenses. Currently, Federal Qualified Higher Education Expenses include (i) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Institution of Higher Education; (ii) subject to certain limits, the Beneficiary's room and board expenses if enrolled at least half-time; (iii) the purchase of computer or peripheral equipment, computer software, or Internet access and related services if it is to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education; (iv) expenses for special needs services for a special needs Beneficiary that are incurred in connection with enrollment or attendance at an Institution of Higher Education; (v) expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school provided that the amount of cash distributions for such expenses from all qualified tuition programs with respect to a Beneficiary do not, in the aggregate, exceed \$10,000 during the taxable year; (vi) expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program; and (vii) amounts paid as principal or interest on any qualified education loan (as defined in Internal Revenue Code Section 221(d)) of the Beneficiary or a sibling (as defined in Internal Revenue Code Section 152(d)(2)(B)) of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes).

**Federal Income Tax Benefits.** Under current law, federal income taxes on investment earnings are deferred while in an Account, and such earnings are free from federal and Illinois state income tax if they are distributed as part of a Federal Qualified Withdrawal. The earnings portion (if any) of a Federal Nonqualified Withdrawal will be treated as ordinary income to the recipient and generally will also be subject to a 10% federal penalty tax.

**State Income Tax Benefits.** Individuals who file an Illinois state income tax return are eligible to deduct up to \$10,000 per tax year (\$20,000 for married taxpayers filing jointly) for total combined Contributions to the Program, the Bright Directions Advisor-Guided 529 College Savings Program, and College Illinois! during that tax year. In the case of an Account Owner who is a custodian under a Uniform Gifts to Minors Act ("UGMA") or Uniform Transfers to Minors Act ("UTMA") account, the beneficiary for whom the account is held may be entitled to the Illinois state income tax deduction rather than the custodian of the account. An Illinois taxpayer who deducted Contributions on his or her Illinois state income tax return in a prior year may be required to include on his or her Illinois state income tax return the amount (or a portion of it) previously deducted if an Illinois Nonqualified Withdrawal is made. Consult with your financial, tax, or other advisor before making a withdrawal from the Program.

For tax years ending on or before December 31, 2024, employers that match employees' Contributions to the Program,



College Illinois! or the Bright Directions Advisor-Guided 529 College Savings Program are eligible for an Illinois tax credit.

**Gift Tax Treatment.** For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Beneficiary that is eligible for the gift tax annual exclusion. For 2021, the annual exclusion is \$15,000 per donee and will increase to \$16,000 per donee in 2022 (\$30,000 for 2021 for a married couple that elect to split their gifts on United States Gift Tax Return Form 709 increasing to \$32,000 for 2022 for a married couple that elects to split their gifts). This means that in 2021, you may contribute up to \$15,000 to an Account (\$16,000 effective January 1, 2022), without the Contribution being considered a taxable gift (assuming you make no other gifts to the Beneficiary in the same 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. (Such an election must be made on the United States Gift Tax Return Form 709).

This means that you may contribute up to \$75,000 (\$80,000 once the annual exclusion is increased to \$16,000 effective January 1, 2022), without the Contribution being considered a taxable gift, provided that you make no other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years. Moreover, a married contributor whose spouse elects on a United States Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$150,000 in 2021 and increasing to \$160,000 effective January 1, 2022) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years and they both make the five-year election. The annual exclusion is indexed for inflation and therefore may increase over time.

**School Eligibility.** The Beneficiary can use funds in the Program to attend any United States school (and some foreign schools), public or private, qualifying as an Institution of Higher Education, including two-year, four-year, professional and vocational schools. Funds may also be used for certain expenses in connection with Apprenticeship Programs. Funds may also be used for elementary or secondary public, private, or religious schools subject to a \$10,000 annual limit and certain Illinois tax consequences.

**Investment Flexibility.** The Treasurer and Program Manager have designed six Age-Based Portfolios and six Target Portfolios for use in the Program. In addition, Contributions may be invested in any of the Individual Fund Portfolios designated from time to time by the Program. The Age-Based and Target Portfolios invest in specified allocations of equity, real estate, fixed income, bank deposit accounts, and/or money market mutual funds, and the Individual Fund Portfolios invest in a single Underlying Investment fund. Account Owners do not own shares of the Underlying Investments or mutual funds, but rather own shares in a Portfolio of the Program. You can choose a Portfolio that is tailored to meet your investment objectives and risk profile. **The Underlying Investments in a Portfolio may be modified from time to time by the Treasurer in its sole discretion.**

## DEFINITIONS OF KEY TERMS

**ABLE Account** means an account under a qualified ABLE program under Section 529A of the Code as further defined in Section 529A(e)(6) of the Code.

**Account Owner** means the individual or entity that has entered into a Participation Agreement and opened an Account, or the individual or entity to which ownership of an Account has been transferred. The Account Owner must be at least 18 years of age with a valid Social Security number or a taxpayer identification number. An Account Owner need not be a resident of Illinois.

The Account Owner must also have a valid, permanent address in the U.S. (not a P.O. Box). The Account Owner may be an individual, certain legal entities, a custodian under a UGMA or UTMA account or a trustee of a trust. The Account Owner may also be a tax-exempt Section 501(c)(3) organization or State or local government that establishes an Account as part of a scholarship program. The Account Owner may make Contributions to the Account, direct investment changes, designate or change the Beneficiary, request withdrawals, or request exchanges among Portfolios within the Program.

**Account** means a separate account within the Program established by an Account Owner for a named Beneficiary pursuant to a Participation Agreement.

**Age-Based Portfolio** means a diversified investment portfolio that invests in equity, real estate, fixed income, bank deposit accounts, and/or money market funds based on the age of the Beneficiary. Contributions and earnings are typically more heavily weighted in equity investments when the Beneficiary is younger and more towards fixed income, bank deposits, and money market investments as the Beneficiary nears college age. See "Exhibit B – Investment Portfolios and Underlying Investments."

**Apprenticeship Program** means an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).

**Beneficiary** means the individual designated in the Enrollment Form as the Beneficiary of an Account at the time the Account is established, or the individual designated as the new Beneficiary if the Account Owner changes the Beneficiary of an Account. The Beneficiary must have a valid Social Security number or taxpayer identification number. A Beneficiary may be of any age. To protect certain federal tax advantages of the Program, there are restrictions on who may be named a replacement Beneficiary. The Beneficiary can only be changed to a "Member of the Family" of the former Beneficiary. In the case of an Account established by a State or local government or a Section 501(c)(3) organization as part of a scholarship program, the Beneficiary is any individual receiving benefits accumulated in the Account as a scholarship.

**CESA** means Coverdell Education Savings Account, formerly known as an Education IRA.

**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 Beneficiary.

**Enrollment Form** means the Bright Start Direct-Sold College Savings Program Enrollment Form signed by an Account Owner establishing an Account and agreeing to be bound by the terms of the Participation Agreement.

**Federal Nonqualified Withdrawal** means any distribution from an Account to the extent it is not a Federal Qualified Withdrawal or a Federal Qualified Rollover Distribution. The earnings portion of a Federal Nonqualified Withdrawal will generally be treated as income subject to income tax and a 10% federal penalty tax.

**Federal Qualified Higher Education Expenses**, as defined in Section 529 of the Code, includes:

- tuition, fees, books, supplies, and equipment required for enrollment of, or attendance by, a Beneficiary at an Institution of Higher Education;
- certain room & board expenses incurred by students who are enrolled at least half-time at an Institution of Higher Education. 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 Institution of Higher Education, 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 Institution of Higher Education. You may need to contact the Institution of Higher Education for qualified room and board costs;
- expenses for special needs services in the case of a Beneficiary who has special needs that are incurred in connection with such enrollment or attendance;
- expenses for the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education. This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature;
- expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program;
- amounts paid as principal or interest on any Qualified Education Loan of the Beneficiary or a Sibling of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes); and
- expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. The amount of cash distributions for such expenses from all 529 qualified tuition programs with respect to a Beneficiary shall, in the aggregate, not exceed \$10,000 during the taxable year.

**Federal 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 529 qualified tuition program for the benefit of the Beneficiary, provided that any such transfer does not occur within twelve (12) months from the date of a previous transfer to a 529 qualified tuition program for the benefit of the Beneficiary;

- Another account in any other 529 qualified tuition program, for the benefit of an individual who is a Member of the Family of the Beneficiary; or

- Effective for periods prior to January 1, 2026, to an ABL account of the Beneficiary or a Member of the Family of the Beneficiary, subject to the contribution limits for ABL accounts.

See "Can I Transfer My Account to Other Illinois Section 529 Programs?".

**Federal Qualified Withdrawal** means a withdrawal from an Account that is used to pay the Federal Qualified Higher Education Expenses of the Beneficiary. A Federal Qualified Withdrawal generally is not subject to federal or Illinois state income tax, but a Federal Qualified Withdrawal that is also an Illinois Nonqualified Withdrawal may trigger recapture of any Illinois income tax deduction claimed for Contributions to the Account.

**Illinois Nonqualified Withdrawal** means any withdrawal from an Account to the extent it is not (i) used for Illinois Qualified Expenses for the Beneficiary, (ii) resulting from the Beneficiary's death or disability, (iii) a rollover to another account in the Pool or (iv) effective for periods prior to January 1, 2026, a rollover to an ABL Account administered by Illinois, subject to the contribution limits for ABL accounts. In the event of an Illinois Nonqualified Withdrawal the amount of any deduction previously taken for Illinois income tax purposes (or a portion of such amount) is added back in determining Illinois base income.

**Illinois Qualified Expenses** means

- tuition, fees, books, supplies, and equipment required for enrollment of, or attendance by, a Beneficiary at an Institution of Higher Education;
- certain room & board expenses incurred by a Beneficiary who is 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 Institution of Higher Education, 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 Institution of Higher Education. You may need to contact the Institution of Higher Education for qualified room and board costs;
- expenses for special needs services in the case of a Beneficiary who has special needs which are incurred in connection with such enrollment or attendance;
- expenses for the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education. This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature;
- expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program; and

- amounts paid as principal or interest on any Qualified Education Loan of the Beneficiary or a Sibling of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes).

Illinois Qualified Expenses do not include expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school.

**Illinois Section 529 Programs** means the Bright Start Direct-Sold College Savings Program, the Bright Directions Advisor-Guided 529 College Savings Program, and College Illinois, a prepaid tuition program.

**Individual Fund Portfolio** means an investment Portfolio that invests in the shares of a single Underlying Investment. Account Owners do not own shares of the Underlying Investment directly, but rather, own shares in a Portfolio of the Program. You can choose to allocate your Contributions to one or more Individual Fund Portfolios according to your investment objective and risk tolerance. The performance of an Individual Fund Portfolio is entirely dependent on the performance of the individual Underlying Investment in which it invests. As a result, its performance may be more volatile than the other available Portfolios in the Program. See "Exhibit B – Investment Portfolios and Underlying Investments."

**Institution of Higher Education** means an eligible educational institution, as defined in Section 529 of the Code. 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 also are Institutions of Higher Education. These institutions must be eligible to participate in the student aid programs provided by Title IV of the Higher Education Act of 1965 (the "HEA"). For a list of schools, visit [fatsa.ed.gov](http://fatsa.ed.gov) and click on "School Code Search". Institution of Higher Education does not include any elementary or secondary school.

**Investment Policy Statement** means the Bright Start Investment Policy Statement adopted by the Treasurer pursuant to the Program Management Agreement which sets forth the policies, objectives, and guidelines that govern the investment of Contributions in the Program. The Treasurer may amend the Investment Policy Statement from time to time in accordance with the Program Management Agreement.

**Legal Incompetency** means (a) the person has a court-appointed guardian or conservator for the person's estate or (b) a physician who is attending to the care of the person and who has examined the person within the past sixty (60) days certifies in writing that the person is unable to prudently manage financial affairs.

**Maximum Account Balance** is the threshold after which additional Contributions to an Account cannot be made. The Maximum Account Balance is currently \$500,000 and is applied against the aggregate value of all Program Accounts for the Beneficiary and all accounts for the same Beneficiary under other Illinois Section 529 Programs. The Treasurer periodically reviews and adjusts the Maximum Account Balance to comply

with the requirement under Code Section 529 that a program prevent contributions in excess of those necessary to provide for the qualified higher education expenses of the beneficiary.

**Member of the Family**, as defined in Section 529 of the Code, means an individual who is related to the Beneficiary in any of the following ways:

- A son, daughter, stepchild, foster child, adopted child, or a descendant of any of them;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A son or daughter of a brother or sister;
- A brother or sister of the father or mother;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of the Beneficiary or the spouse of any of the foregoing individuals; 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 is treated as the child of such individual by blood. The terms brother and sister include a brother or sister by the half-blood.

**Nonqualified Withdrawal** under Code Section 529 means a distribution that may be subject to income tax, and sometimes an additional penalty tax, on the Earnings Portion of the distribution. See "Federal Nonqualified Withdrawal." The term "Nonqualified Withdrawal" is also used under Illinois law for a different purpose. An Illinois Nonqualified Withdrawal may trigger "recapture" of any Illinois state income tax deduction previously taken. See "Illinois Nonqualified Withdrawal."

**Participant** means an Account Owner.

**Participation Agreement** means the legally binding contract between an Account Owner and the Trust. The current form of the Participation Agreement is attached as Exhibit A to this Program Disclosure Statement. However, the Treasurer may amend the Participation Agreement at any time and for any reason by giving notice of such amendments.

**Pool** means the Illinois College Savings Pool.

**Portfolio** means any of the investment portfolios available, and to which Contributions may be made, under the Program. An Account Owner must designate a Portfolio or Portfolios in the Enrollment Form for each Account. A Portfolio may be invested in specified allocations of equity, real estate, fixed income, bank deposits, and/or money market mutual funds, or a single Underlying Investment fund. The Program currently has Age-Based, Target, and Individual Fund Portfolios.

**Program** means the Bright Start Direct-Sold College Savings Program.

**Program Manager** means Union Bank & Trust Company of Lincoln, Nebraska.



**Program Management Agreement** means the Bright Start Direct-Sold College Savings Program Management Agreement by and between the Program Manager and the Treasurer.

**Qualified Education Loan** means a loan as defined in Internal Revenue Code Section 221(d) of the Beneficiary or a Sibling of the Beneficiary.

**Sibling** means an individual who bears a relationship to the Beneficiary which is described in Internal Revenue Code Section 152(d)(2)(B). Sibling includes a stepsibling and also includes a sibling by the halfblood.

**Target Portfolio** means a diversified investment portfolio that can invest in equity, real estate, fixed income, bank deposits, and/or money market funds. Contributions and earnings are invested in a set asset allocation of equity, real estate, fixed income, bank deposits, and/or money market funds. Unlike the Age-Based Portfolios, the Target Portfolios' asset allocations do not adjust as the Beneficiary gets older. See "Exhibit B – Investment Portfolios and Underlying Investments."

**Treasurer** means the Office of the Illinois State Treasurer.

**Trust** means the Bright Start College Savings Trust.

**Underlying Investments** means the underlying investment funds that the Portfolios invest in and include mutual funds, separately managed accounts, bank deposits, and other investment vehicles.

**UGMA** means Uniform Gifts to Minors Act.

**UTMA** means Uniform Transfers to Minors Act.

## DESCRIPTION OF THE PROGRAM

### What Is the Program?

The Program was created by the State of Illinois and is part of the Pool which is designed to qualify as a qualified tuition program under Section 529 of the Code. The primary purpose of the Program is to offer a convenient and tax-advantaged way to save for the cost of college and Federal Qualified Higher Education Expenses. Federal and Illinois income taxes on investment earnings in an Account are deferred until there is a distribution from the Account. In addition, a distribution is free from federal income tax if it is used to pay the Federal Qualified Higher Education Expenses of the Beneficiary. It is also free from Illinois income tax unless the distribution is an Illinois Nonqualified Withdrawal, in which case the amount of any deduction previously taken for Illinois income tax purposes (or a portion of such amount) is added back to Illinois taxable income.

The Pool consists of the Program and the Bright Directions Advisor-Guided 529 College Savings Program. This Program Disclosure Statement only pertains to Accounts in the Program. Before investing, you should consider whether an investment is appropriate in light of your overall financial goals and whether an investment is an appropriate vehicle for you to use to save for Federal Qualified Higher Education Expenses. You can obtain additional information about the Bright Start Direct-Sold College Savings Program by visiting [BrightStart.com](http://BrightStart.com) or calling 877.432.7444.

### What Is the Legal Structure of the Program?

The Illinois State Treasurer acts as Trustee. The Treasurer is responsible for the overall administration of the Program. Amounts contributed to the Program will be invested in the Trust. The Treasurer established the Trust to hold the assets of the Program, including contributions to Accounts established by Account Owners.

The Treasurer has selected Union Bank & Trust Company as Program Manager to advise the Treasurer on the investment of Contributions to the Program and to provide day-to-day administrative and marketing services to the Program. The Program Manager has engaged Wilshire to advise it with respect to the structure and asset allocations of the Portfolios and the Underlying Investments the Portfolios utilize.

### How Does the Program Work?

To begin saving for Federal Qualified Higher Education Expenses as described herein, you must open an Account and make an initial Contribution to your Account for a named Beneficiary. Money contributed to your Account will be invested in the Portfolio(s) you choose. When the Beneficiary of your Account incurs Federal Qualified Higher Education Expenses, you may withdraw money from your Account to pay those Federal Qualified Higher Education Expenses.

### What Types of Expenses May Be Paid with Account Funds?

Account funds may be used to pay the Federal Qualified Higher Education Expenses of the Account Beneficiary. These expenses generally include (i) tuition, fees, books, supplies, and equipment required for the Beneficiary's enrollment or attendance at an Institution of Higher Education; (ii) subject to certain limitations, the room and board expenses of a student enrolled at least on a half-time basis; (iii) the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services if they are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education; (iv) expenses for special needs services incurred in connection with enrollment or attendance at an Institution of Higher Education in the case of a Beneficiary who has special needs; (v) expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program; and (vi) amounts paid as principal or interest on any Qualified Education Loan of the Beneficiary or a Sibling of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes).

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, post-secondary vocational, and foreign institutions. The institution must be eligible to participate in student aid programs provided by Title IV of the HEA.

In addition, federal law, but not Illinois law, permits an aggregate of up to \$10,000 during a taxable year from all 529 qualified tuition programs for a Beneficiary to be used for tuition or in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private or religious school. Such a distribution would be an Illinois Nonqualified Distribution and the amount of any deduction

previously taken for Illinois income tax purposes (or a portion of such amount) would be added back to Illinois taxable income. Consult with your tax or legal advisor before making such distributions.

The tax benefits afforded to 529 qualified tuition programs 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 your tax or legal advisor with respect to the various education benefits.

## **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 18 years of age with a valid Social Security number or a taxpayer identification number. The Account Owner must also have a valid, permanent address in the U.S. (not a P.O. Box), but need not reside in Illinois. There are no income limitations for the Account Owner to participate in, or benefit from, the Program.

There may be only one Account Owner per Account (joint ownership is not allowed). An Account Owner or multiple Account Owners can open more than one Account for the same Beneficiary as long as the total of the balances in all such Accounts and accounts for the Beneficiary in other Illinois Section 529 programs, including the Bright Directions Advisor-Guided 529 College Savings Program and College Illinois!, do not exceed the Maximum Account Balance. 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 as part of a scholarship program operated by such government or organization.

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 other tax consequences of investments in the Program made by a trust, nor does it address the propriety of a trust making such an investment under state trust law. The Program is not responsible for determining if the individual listed as the trustee has the authority to open an Account in such capacity or whether trust assets can be used to open such Account.

### **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 Participation Agreement, which governs your rights, benefits, and obligations as an Account Owner. The current form of the Participation Agreement is included as Exhibit A to this Program Disclosure Statement.

To open an Account:

- **Online:** complete the online application at BrightStart.com.
- **By Mail:** complete, sign and mail the Enrollment Form to the Bright Start Direct-Sold College Savings Program.

If you wish to make Contributions for more than one Beneficiary, you must complete an Enrollment Form and

open a separate Account for each Beneficiary. You should note, however, that any amendments to the Code or Illinois laws or regulations relating to the Program may automatically amend the terms of the Participation Agreement, and the Treasurer may amend the Participation Agreement at any time and for any reason by giving notice of such amendments.

As Account Owner, you control the Account, including any Contributions made to the Account by third parties. The Account Owner may change the Beneficiary of the Account, transfer money in the Account to another account in the Pool 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.

### **How Many Accounts Can I Open?**

There is no limit on the number of Accounts you can establish, and an Account Owner may establish more than one Account. However, the aggregate balance of all Accounts for a Beneficiary, and accounts in other Illinois Section 529 Programs, including the Bright Directions Advisor-Guided 529 College Savings Program and College Illinois!, may not exceed the Maximum Account Balance.

### **When Can I Open an Account for an Infant?**

There are no age limitations for an Account Beneficiary. However, at the time you open an Account, you must designate a Beneficiary. If you open an Account for a newborn for whom a Social Security number or tax identification number has not yet been obtained, you may still designate that individual as Beneficiary, so long as you provide the Program Manager with the Beneficiary's Social Security number or tax identification number within sixty (60) days of opening the Account.

### **May I Change Ownership of a Program Account?**

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

The current Account Owner must complete and submit a Change of Account Owner Form to the Program Manager to transfer ownership of the Account. The Account Owner's signature on the Change of Account Owner Form must be medallion signature guaranteed, or it will not be processed. The new Account Owner will be required to sign the Change of Account Owner Form and thereby enter into a Participation Agreement. Federal tax law does not specifically address the tax treatment of a change of ownership of an Account. You should consult your tax or legal 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 or Legal Incompetency?**

On the Enrollment Form, the Account Owner may designate a successor Account Owner to take ownership of the Account in the event of the Account Owner's death or



legal incompetency. If an Account is already established, the Account Owner may designate a successor Account Owner or change the designation by completing and submitting the appropriate form available at **BrightStart.com**.

### **If I do not Name a Successor, Who Becomes Account Owner at my Death?**

Except for Accounts subject to a state UGMA or UTMA, if the Account Owner does not properly designate a successor Account Owner who is able and willing to serve as successor Account Owner, ownership of the Account will pass to:

1. the person designated in the Account Owner's Will as successor Account Owner by specific reference to 529 qualified tuition program savings accounts, or if none,
2. the spouse of the Account Owner if such surviving spouse is a lineal ancestor of the Beneficiary, or if none,
3. the Beneficiary if of legal age and not legally incompetent, or if not of legal age and competent,
4. the court-appointed guardian or conservator of the estate of the Beneficiary, or if none,
5. the court-appointed custodial guardian or conservator of the Beneficiary, as custodian for the Beneficiary under a state UGMA or UTMA, or if none,
6. a parent of the Beneficiary, provided that if both parents are living and able and willing to serve as the Account Owner, the ownership of the Account shall pass to (a) the parent who is related (other than by marriage) to the prior Account Owner, or if not applicable, (b) the parent with the earlier birthday.

References to a "parent" or an "ancestor" include natural and adoptive relationships.

For example, the following direction in your Will is sufficient: "I name my sister Jane Smith as the successor account owner of all 529 savings accounts of which I am the account owner." A direction to distribute your assets to one or more persons is not a designation of a successor account owner. Please note that if you leave a designation of successor Account Owner in a Will we may require that the Will be admitted to probate and determined by the court to be your Will in effect at your death.

The person claiming the right to be the successor Account Owner upon the Account Owner's death must submit to the Program Manager a certified copy of the death certificate and a signed Change of Account Owner Form. The successor Account Owner may also be required to submit, in the Program Manager's discretion, an affidavit or statement that there is no person with a higher priority to become successor Account Owner. None of the State of Illinois, the Treasurer or the Program Manager shall have any liability for a good faith determination of who is entitled to be the successor Account Owner.

### **If I do not Name a Successor, Who Becomes Account Owner Upon my Legal Incompetency?**

If the Account Owner becomes legally incompetent and does not properly designate a successor Account Owner, is unable or who is able and willing to serve as successor Account Owner, ownership of the Account will pass to:

1. the agent or attorney-in-fact under the Account Owner's power of attorney, provided that if the Beneficiary is someone other than the Account Owner, the power of

attorney grants the agent or attorney-in-fact the power to manage 529 qualified tuition program accounts or grants the agent or attorney-in-fact the power to make gifts to the Beneficiary, or if none,

2. the spouse of the Account Owner if such spouse is a lineal ancestor of the Beneficiary, or if none,
3. the court-appointed guardian or conservator of the Account Owner's estate, or if none,
4. the Beneficiary if of legal age and not legally incompetent, or if not of legal age and competent,
5. the court-appointed guardian or conservator of the estate of the Beneficiary, or if none,
6. the court-appointed custodial guardian or conservator of the Beneficiary, as custodian for the Beneficiary under a state UGMA or UTMA, or if none,
7. a parent of the Beneficiary, provided that if both parents are living and able and willing to serve as the Account Owner, the ownership of the Account shall pass to (a) the parent who is related (other than by marriage) to the prior Account Owner, or if not applicable, (b) the parent with the earlier birthday.

References to a "parent" or an "ancestor" include natural and adoptive relationships.

Upon the Account Owner's legal incompetency, the successor Account Owner must submit to the Program Manager proof of the Account Owner's legal incompetency and a Change of Account Owner Form signed by the successor Account Owner. A change of Account Owner is irrevocable, even if the original Account Owner regains competency.

If the Account Owner did not properly designate a successor Account Owner who is able and willing to serve as successor Account Owner, the person claiming the right to be the successor Account Owner may also be required to submit, in the Program Manager's discretion, an affidavit or statement that there is no person with a higher priority to become successor Account Owner. None of the State of Illinois, the Treasurer or the Program Manager shall have any liability for a good faith determination of an Account Owner's legal incompetency or who is entitled to be the successor Account Owner.

## **DESIGNATING A BENEFICIARY**

### **Who May Be a Program Beneficiary?**

An individual with a valid Social Security number or a taxpayer identification number, including the Account Owner, can be a Beneficiary. A Beneficiary can be of any age and need not be a resident of Illinois. Each Account may have only one designated Beneficiary, but different Account Owners may establish different Accounts for the same Beneficiary, provided that the total balances in such Accounts, and all other accounts in other Illinois Section 529 Programs, do not exceed the Maximum Account Balance. An Account Owner may also name himself or herself as the 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 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 Beneficiary prior to any distributions for Federal Qualified Higher Education Expenses from the Account.

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

### **Do I Have to Be Related to the Beneficiary?**

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

### **May I Change Beneficiaries?**

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

- A son, daughter, stepchild, foster child, adopted child, or a descendant of any of them;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A son or daughter of a brother or sister;
- A brother or sister of the father or mother;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of the Beneficiary or the spouse of any of the foregoing individuals; 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 is treated as the child of such individual by blood. The terms brother and sister include a half-brother or half-sister. See "Definitions of Key Terms – Member of the Family," above.

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

When you change the 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 Beneficiary's age.

If the source of Contributions to an Account was a state UGMA or UTMA account, the Beneficiary of the Account must be the UGMA/UTMA beneficiary and may not be

changed until the minor attains the legal age necessary to control the UGMA or UTMA assets and becomes the Account Owner.

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

## **CONTRIBUTING TO AN ACCOUNT**

### **How Do I Make Contributions to the Program?**

All Contributions to your Account must be made in cash or a cash equivalent and cannot be in the form of securities or other property. Contributions by check must be denominated in U.S. dollars. You may contribute to the Program by any of the following methods:

- **Check payable to "Bright Start";**
- **Automatic investment plan ("AIP")** - You may establish an AIP by logging on to your account at **BrightStart.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 Program reserves the right to suspend future AIP contributions.
- **Electronic funds transfer ("EFT")** - You may complete EFT contributions by logging on to your account at **BrightStart.com**. If your EFT Contribution cannot be processed because of insufficient funds or because of incomplete or inaccurate information, the Program 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.
- **Bright Start 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 Bright Start 529 College Savings Visa® Card - Once you've accumulated \$50 in rewards with the Bright Start 529 College Savings Visa® Card, those amounts will be automatically transferred at the end of each calendar quarter to the Account(s) you designate.
- **Transfer or rollover** from another 529 qualified tuition program, 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 "Bright Start Direct-Sold 529" and sent to the following address:

### **Mailing Address**

Bright Start Direct-Sold 529  
P.O. Box 85298  
Lincoln, NE 68501

### **Overnight Address**

Bright Start Direct-Sold 529  
3560 South 48th Street  
Lincoln, NE 68506

Bright Start cannot accept Contributions made with credit card convenience checks, stocks, securities, other nonbank account assets, nor may you charge contributions to your credit card.

Bright Start is unable to accept wire and Automated Clearing House (ACH) purchases on days when the Federal Reserve Wire System is closed.

With an AIP or EFT, you can initiate Contributions, stop making Contributions, change your Contribution amount, or change your bank or the frequency of Contributions by contacting the Program Manager, by logging on to your account online, or by completing the appropriate form.

The Program Manager will assume that the entire amount of any Contribution that is a rollover contribution from a CESA, a qualified U.S. Savings Bond, or another 529 qualified tuition program 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. For more information regarding transfers and rollovers, see "Can I Rollover or Transfer Funds From Another 529 Qualified Tuition Program?" below.

### **Can Others Contribute to the Account?**

A person other than the Account Owner may make Contributions to an Account. However, the Account Owner maintains control over the Account including the investment and distribution of any Contributions. In addition, under current law, the gift and generation-skipping transfer tax consequences of a Contribution by someone other than the Account Owner are unclear. Accordingly, if a person other than an Account Owner intends to make a Contribution to an Account, he or she should consult with his or her legal or tax advisor before doing so.

The Illinois Department of Revenue has stated (in a nonbinding general information letter) that the state income tax deduction is available to individuals other than the Account Owner who contribute to an Account.

### **Can I Rollover or Transfer Funds From Another 529 Qualified Tuition Program?**

An account owner of an account in another 529 qualified tuition program may open an Account or contribute to an existing Account in the Program by rolling over or transferring funds from another 529 qualified tuition program. Such a rollover transaction will be treated as an income tax-free Federal Qualified Rollover Distribution provided it has been more than twelve (12) months since any previous rollover for that Beneficiary or if the Beneficiary of the Account is changed to a Member of the Family of the current 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. When you transfer funds from

another 529 qualified tuition program, the IRS requires the Program Manager to assume that the transfer consists solely of earnings until it receives a statement from the program from which the funds were distributed identifying the contributions and earnings portions of the distribution.

A transfer from another Illinois Section 529 Program to the Bright Start Direct-Sold College Savings Program or vice versa, for the same Beneficiary, is treated as an investment change.

The Illinois Administrative Code provides that in the case of a rollover from a non-Illinois 529 qualified tuition program, the amount of the rollover that constituted an investment in the prior qualified tuition program for federal income tax purposes (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes. You should consult your tax or legal advisor under such circumstances.

### **Can I Make Contributions from a UGMA or UTMA Custodial Account?**

A custodian for a beneficiary under a state UGMA or UTMA statute may use the assets held in the UGMA or UTMA account to open an Account in the Program, 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 beneficiary for whose benefit the assets are held must be designated as the Beneficiary of the Account, and the custodian will not be permitted to change the Beneficiary of the Account. When the Beneficiary reaches the relevant age under the applicable UGMA or UTMA statute and the custodianship terminates, the Beneficiary will become the sole Account Owner with complete control over the Account. **The custodian is required to notify the Program Manager, and complete a Change of Account Owner Form, when the minor attains the relevant age 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 Treasurer, the Program Manager, 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.

### **Can I Contribute Bright Start 529 College Savings Visa® Rewards to a Bright Start Account?**

The Bright Start 529 College Savings Visa® Card allows cardholders to earn rewards that are contributed to a designated Account. Bright Start 529 College Savings Visa® Card cardholders currently 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.

If you are a cardholder and your Bright Start 529 College Savings 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. The Bright Start 529 College Savings Visa® Card is offered by Union Bank & Trust Company. 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 **BrightStart.com**.

### **What is Bright Start GiftED?**

You may invite family and friends to contribute to your Bright Start Account through Bright Start GiftED. After your Bright Start Account is established, log in to your Account online at **BrightStart.com** and Select "Gifting". Follow the online instructions to send e-mail 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 contributed.

### **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 Program has no minimum initial and subsequent required Contributions to an Account.

The aggregate Maximum Account Balance limit for Accounts for a Beneficiary in the Program and in other Illinois Section 529 Programs is \$500,000.

Accounts that have reached the Maximum Account Balance 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 aggregate value of Accounts for a Beneficiary in the Program and in other Illinois Section 529 Programs falls below the Maximum Account Balance then in effect.

The \$500,000 Maximum Account Balance is based on the aggregate market value of the Account(s) for a Beneficiary and not on the aggregate Contributions made to the Account(s). Contributions cannot be made to any Account for a Beneficiary if the aggregate Account balance, including the proposed Contributions, for that Beneficiary (including all Program Accounts for the same Beneficiary and any accounts under other Illinois Section 529 Programs, including the Bright Directions Advisor-Guided 529 College Savings Program and College Illinois!, regardless of Account Owner) would exceed the Maximum Account Balance. The Treasurer will periodically review and may adjust the Maximum Account Balance.

### **What Happens to Contributions to an Account that Exceeds the Maximum Account Balance?**

The Program Manager will notify you if you have made a Contribution to an Account that exceeds the Maximum Account Balance. The Program Manager will not knowingly accept and will reject such Contributions. If the Program Manager determines that you have made a Contribution to an Account that exceeds the Maximum Account Balance, then the excess portion of such Contribution and any earnings

thereon will be promptly refunded and may be treated as a Federal Nonqualified Withdrawal that is subject to federal and Illinois state income tax and a federal penalty tax.

## **INVESTMENT PORTFOLIOS**

### **How Are My Program 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 Investment Policy Statement. These may include investment funds investing in domestic equity, international equity, real estate, fixed income, bank deposits, 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 Treasurer and as set forth in the Investment Policy Statement.

**Requesting Additional Information: Information on the various Portfolios and a summary description of the underlying mutual funds and other investment funds is included in "Exhibit B - Investment Portfolios and Underlying Investments". Additional information regarding the Underlying Investments' investment strategies, risks, and historical returns can be found in the prospectus, statement of additional information ("SAI"), and the semi-annual or annual report of each underlying mutual fund. For more information about the underlying mutual funds, including copies of their prospectuses, SAIs, and annual reports, visit the website of the respective mutual fund.**

The Program has the following Portfolios available:

### **Age-Based Portfolios**

- Index Age-Based Portfolios (invest in Vanguard mutual funds)
  - Index Aggressive Age-Based option
  - Index Moderate Age-Based option
  - Index Conservative Age-Based option
- Age-Based Portfolios (invest in index and actively managed investments)
  - Aggressive Age-Based option
  - Moderate Age-Based option
  - Conservative Age-Based option

### **Target Portfolios**

- Index Target Portfolios (invest in Vanguard mutual funds)
  - Index Equity Portfolio
  - Index Balanced Portfolio
  - Index Fixed Income Portfolio
- Target Portfolios (invest in index and actively managed investments)
  - Equity Portfolio
  - Balanced Portfolio
  - Fixed Income Portfolio

## Individual Fund Portfolios

- 17 Individual Fund Portfolios

The six Age-Based Portfolios are designed to reduce the Account's exposure to equity securities the closer the Beneficiary gets to college age; the six Target Portfolios keep the same asset allocation between equity, real estate, fixed income, bank deposits, and money market investments over the life of your Account; and, the Individual Fund Portfolios each invest in a single Underlying Investment. The Age-Based, Target, and Individual Fund Portfolios have been designed (or selected) by the Treasurer, the Program Manager, and Wilshire.

Contributions will be invested in the Portfolio or Portfolios the Account Owner selects on the Enrollment Form in accordance with the Investment Policy Statement. Under federal law, none of the Account Owner, contributors or the Beneficiary may direct the investment of Contributions (or earnings thereon) more than two times in a calendar year. As a result, an Account Owner can change the Portfolio or Portfolios in which Contributions and any earnings on such Contributions are invested twice per calendar year, or upon a change of Beneficiary. If an Account Owner has multiple accounts in the Program for the same Beneficiary or multiple accounts in the Program and other Illinois Section 529 Programs for the same Beneficiary, the Account Owner may change the Portfolios in all of these accounts without tax consequences, as 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 Beneficiary.

In allocating Contributions to the Portfolios, the Program Manager will follow the Investment Policy Statement, a copy of which may be obtained from the Treasurer's Office or viewed or downloaded on the Treasurer's website at [IllinoisTreasurer.gov](http://IllinoisTreasurer.gov) or at [BrightStart.com](http://BrightStart.com), provided that a portion of each Portfolio may be held in cash or cash equivalents to provide flexibility in meeting redemptions, expenses, and the timing of new investments.

**The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the Underlying Investment in which the Portfolios invest, including the Underlying Investments in which the Individual Fund Portfolios invest.**

## AGE-BASED PORTFOLIOS

You may choose from six Age-Based options:

- Index Age-Based Portfolios  
(invest in Vanguard mutual funds)
  - Index Aggressive Age-Based option
  - Index Moderate Age-Based option
  - Index Conservative Age-Based option
- Age-Based Portfolios  
(invest in index and actively managed investments)
  - Aggressive Age-Based option
  - Moderate Age-Based option
  - Conservative Age-Based option

## INDEX AGE-BASED PORTFOLIOS (invest in Vanguard mutual funds)

The Index Age-Based Portfolios are designed to generate returns that closely mirror the performance of major market indices over the long term. These Portfolios are able to keep transaction costs and other expenses low because they are primarily passively managed, meaning that the securities currently held in the benchmark index determine your investments.

## AGE-BASED PORTFOLIOS (invest in index and actively managed investments from multiple firms)

The Age-Based Portfolios offer a combination of index and actively managed investments in one portfolio in order to take advantage of the potential outperformance of actively managed investments, which are designed to attempt to beat the performance of a major market index over the long-term.

The Age-Based Portfolios generally invest in a mix of equity, real estate, fixed income, bank deposits, and money market funds allocated based on the current age of the Beneficiary. The Age-Based Portfolios adjust over time so that as the Beneficiary nears college age each Age-Based Portfolio's allocation between equity, real estate, fixed income, bank deposits, 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 Beneficiary attains the next age-band based as set forth in the Age-Based Index Strategy and Age-Based Multi-Firm Strategy tables.

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 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 Investments, and the age ranges for each of the Portfolios, see "Exhibit B - Investment Portfolios and Underlying Investments." The current targeted asset allocation of each Age-Based Portfolio is set forth in the Age-Based Index Strategy and Age-Based Multi-Firm Strategy tables.


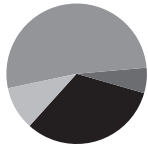
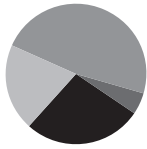

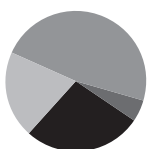

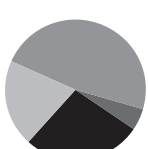


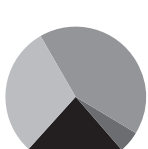
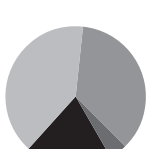



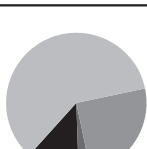
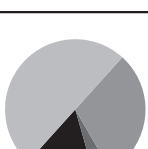

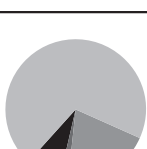

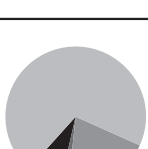

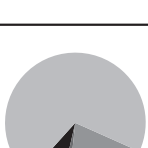


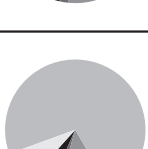
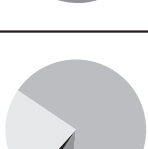



## Bright Start AGE-BASED - INDEX STRATEGY

| Beneficiary Age    | Index Aggressive Age-Based  | Index Moderate Age-Based  | Index Conservative Age-Based  |
|--------------------|---|---|---|
| <b>0-2 Years</b>   | U.S. Equity 57%<br>Real Estate 7%<br>Non-U.S. Equity 36%  | Fixed Income 10%<br>U.S. Equity 52%<br>Real Estate 6%<br>Non-U.S. Equity 32%                                    | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%                                    |
| <b>3-5 Years</b>   | Fixed Income 10%<br>U.S. Equity 52%<br>Real Estate 6%<br>Non-U.S. Equity 32%                                    | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%                                    | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%                                    |
| <b>6-8 Years</b>   | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%                                    | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%                                    | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%                                    |
| <b>9-10 Years</b>  | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%                                    | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%                                    | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%                                    |
| <b>11-12 Years</b> | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%                                    | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%                                    | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%                                    |
| <b>13-14 Years</b> | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%                                    | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%                                    | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%                                     |
| <b>15-16 Years</b> | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%                                    | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%                                     | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5% |
| <b>17-18 Years</b> | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%                                     | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5% | Money Market/<br>Bank Account 23%<br>Fixed Income 67%<br>U.S. Equity 7%<br>Real Estate 1%<br>Non-U.S. Equity 2% |
| <b>19 and over</b> | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5% | Money Market/<br>Bank Account 23%<br>Fixed Income 67%<br>U.S. Equity 7%<br>Real Estate 1%<br>Non-U.S. Equity 2% | Money Market/<br>Bank Account 50%<br>Fixed Income 50%   |



## Bright Start AGE-BASED - MULTI-FIRM STRATEGY

| Beneficiary Age    | Aggressive Age-Based   | Moderate Age-Based  | Conservative Age-Based   |
|--------------------|--|---|--|
| <b>0-2 Years</b>   | U.S. Equity 57%<br>Real Estate 7%<br>Non-U.S. Equity 36%<br>  | Fixed Income 10%<br>U.S. Equity 52%<br>Real Estate 6%<br>Non-U.S. Equity 32%<br>                                      | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%<br>                                      |
| <b>3-5 Years</b>   | Fixed Income 10%<br>U.S. Equity 52%<br>Real Estate 6%<br>Non-U.S. Equity 32%<br>                                      | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%<br>                                      | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%<br>                                      |
| <b>6-8 Years</b>   | Fixed Income 20%<br>U.S. Equity 48%<br>Real Estate 5%<br>Non-U.S. Equity 27%<br>                                      | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%<br>                                      | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%<br>                                      |
| <b>9-10 Years</b>  | Fixed Income 30%<br>U.S. Equity 42%<br>Real Estate 5%<br>Non-U.S. Equity 23%<br>                                      | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%<br>                                      | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%<br>                                      |
| <b>11-12 Years</b> | Fixed Income 40%<br>U.S. Equity 36%<br>Real Estate 4%<br>Non-U.S. Equity 20%<br>                                     | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%<br>                                     | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%<br>                                     |
| <b>13-14 Years</b> | Fixed Income 50%<br>U.S. Equity 30%<br>Real Estate 4%<br>Non-U.S. Equity 16%<br>                                    | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%<br>                                    | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%<br>                                     |
| <b>15-16 Years</b> | Fixed Income 60%<br>U.S. Equity 25%<br>Real Estate 3%<br>Non-U.S. Equity 12%<br>                                    | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%<br>                                     | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5%<br> |
| <b>17-18 Years</b> | Fixed Income 70%<br>U.S. Equity 20%<br>Real Estate 2%<br>Non-U.S. Equity 8%<br>                                     | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5%<br> | Money Market/<br>Bank Account 23%<br>Fixed Income 67%<br>U.S. Equity 7%<br>Real Estate 1%<br>Non-U.S. Equity 2%<br> |
| <b>19 and over</b> | Money Market/<br>Bank Account 8%<br>Fixed Income 72%<br>U.S. Equity 13%<br>Real Estate 2%<br>Non-U.S. Equity 5%<br> | Money Market/<br>Bank Account 23%<br>Fixed Income 67%<br>U.S. Equity 7%<br>Real Estate 1%<br>Non-U.S. Equity 2%<br> | Money Market/<br>Bank Account 50%<br>Fixed Income 50%<br>   |



## TARGET PORTFOLIOS

The Target Portfolios are asset allocation Portfolios that invest in a set or “fixed” target allocation of equity, real estate, fixed income, bank deposits, and money market funds. Although the target asset allocations for these Portfolios are not expected to vary, the Underlying Investments in which the Portfolios invest will be reviewed at least annually and may change. If you select in the Target Portfolio approach, your money will remain in the Portfolio(s) of choice until you instruct the Program to move it to another investment approach or Portfolio or until a withdrawal. None of the Target Portfolios is designed to provide any particular total return over any particular time period or investment time horizon.

The allocation between equity, real estate, fixed income, bank deposits, and money market investments within the Target Portfolios does not change as the Beneficiary gets older.

The Target Portfolios, ranging from the most aggressive to most conservative, are briefly described below. For a detailed asset allocation and the composition of the Underlying Investments, see “Exhibit B – Investment Portfolios and Underlying Investments.” The current targeted asset allocations or investment mixes for the Target Portfolios are presented in the following Index Target and Target Portfolio tables.

You may choose from six Target Portfolios:

- **Index Target Portfolios (invest in Vanguard mutual funds)**

- Index Equity Portfolio (most aggressive among Index Target Portfolios)
- Index Balanced Portfolio
- Index Fixed Income Portfolio (most conservative among Index Target Portfolios)

- **Target Portfolios (invest in index and actively managed investments)**

- Equity Portfolio (most aggressive among Target Portfolios)
- Balanced Portfolio
- Fixed Income Portfolio (most conservative among Target Portfolios)

## INDEX TARGET PORTFOLIOS

### (invest in Vanguard mutual funds)

The Index Target Portfolios are designed to generate returns that closely mirror the performance of major market indices over the long term. These Portfolios are able to keep transaction costs and other expenses low because they are passively managed, meaning that the securities in the Index Target Portfolio only change if there is a change in the composition of the index.

- **Index Equity Portfolio** seeks long-term capital appreciation by investing all of its assets in equity investments. This Portfolio has a target allocation of 57% domestic equity, 7% real estate, and 36% international equity.
- **Index Balanced Portfolio** seeks moderate growth by investing in a balanced asset allocation weighted between equity investments, real estate and fixed income investments. This Portfolio has a target allocation of 36% domestic equity, 20% international equity, 4% real estate, and 40% fixed income.

- **Index Fixed Income Portfolio** seeks current income by investing primarily in investment-grade bonds, US government securities, bank deposits, and money market instruments. The portfolio has a target allocation of 50% fixed income and 50% bank deposit and money market instruments.

## TARGET PORTFOLIOS

### (invest in index and actively managed investments)

The Target Portfolios offer a combination of index and actively managed investments in one Portfolio in order to take advantage of the potential outperformance of actively managed investments, which are designed to attempt to beat the performance of a major market index over the long-term.

- **Equity Portfolio** seeks long-term capital appreciation by investing all of its assets in equity investments. This Portfolio has a target allocation of 57% domestic equity, 7% global real estate, and 36% international equity.
- **Balanced Portfolio** invests in a combination of equity, fixed income and money market investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation weighted between equity and fixed income investments. This Portfolio has a target allocation of 36% domestic equity, 20% international equity, 4% global real estate, and 40% fixed income.
- **Fixed Income Portfolio** seeks current income by investing primarily in investment-grade bonds, U.S. government securities, bank deposits, and money market instruments. This Portfolio has a target allocation of 50% fixed income and 50% bank deposit and money market investments.

Because securities markets are constantly in flux and because Contributions to and withdrawals from the Program are made on a daily basis, the target allocations described above may not be able to be achieved with precision; however, the Program Manager will rebalance the weightings in each Portfolio on a periodic basis.

Attached to this Program Disclosure Statement as “Exhibit B – Investment Portfolios and Underlying Investments” is a listing of the various mutual funds and other investment funds the Treasurer has approved and the relative weighting of each Underlying Investment within the Age-Based and Target Portfolios. The actual weightings of any of these Portfolios may vary.

**Portfolios may (a) invest in registered or unregistered funds; (b) have their assets managed in a separate account in accordance with the Program Management Agreement and Investment Policy Statement; or (c) a combination of the two.**

**INDEX TARGET PORTFOLIOS**  
(invest in Vanguard mutual funds)

|   | <b>Index Equity Portfolio</b> | <b>Index Balanced Portfolio</b> | <b>Index Fixed Income Portfolio</b> |
|---|-------------------------------|---------------------------------|-------------------------------------|
| FDIC Insured Bank Account                                     |                               |                                 | 25.0%                               |
| Vanguard Federal Money Market Fund                            |                               |                                 | 25.0%                               |
| Vanguard Short-Term Bond Index Fund                           |                               | 6.0%                            | 20.0%                               |
| Vanguard Short-Term Inflation-Protected Securities Index Fund |                               | 4.0%                            | 15.0%                               |
| Vanguard Total Bond Market Index Fund                         |                               | 20.0%                           | 15.0%                               |
| Vanguard Total International Bond Index Fund                  |                               | 4.0%                            |                                     |
| Vanguard High-Yield Corporate Fund                            |                               | 6.0%                            |                                     |
| Vanguard Total Stock Market Index Fund                        | 57.0%                         | 36.0%                           |                                     |
| Vanguard Real Estate Index Fund                               | 7.0%                          | 4.0%                            |                                     |
| Vanguard Total International Stock Index Fund                 | 36.0%                         | 20.0%                           |                                     |
| <b>TOTAL</b>  | <b>100.0%</b>                 | <b>100.0%</b>                   | <b>100.0%</b>                       |

**TARGET PORTFOLIOS**  
(invest in Vanguard, T. Rowe Price, DFA, Baird, Dodge & Cox, BNY Mellon, BlackRock, Nuveen, DWS, Invesco Oppenheimer, and Ariel underlying investments)

|   | <b>Equity Portfolio</b> | <b>Balanced Portfolio</b> | <b>Fixed Income Portfolio</b> |
|---|-------------------------|---------------------------|-------------------------------|
| FDIC Insured Bank Account                                     |                         |                           | 25.0%                         |
| Vanguard Federal Money Market Fund                            |                         |                           | 25.0%                         |
| Vanguard Short-Term Bond Index Fund                           |                         | 3.0%                      | 10.0%                         |
| Baird Short-Term Bond Fund                                    |                         | 3.0%                      | 10.0%                         |
| Vanguard Short-Term Inflation-Protected Securities Index Fund |                         | 4.0%                      | 15.0%                         |
| Vanguard Total Bond Market Index Fund                         |                         | 10.5%                     | 8.0%                          |
| Dodge & Cox Income Fund                                       |                         | 9.5%                      | 7.0%                          |
| BNY Mellon Global Fixed Income Fund                           |                         | 4.0%                      |                               |
| BlackRock High Yield Bond Portfolio                           |                         | 3.5%                      |                               |
| Nuveen Symphony Floating Rate Income Fund                     |                         | 2.5%                      |                               |
| Vanguard Institutional Index Fund                             | 23.0%                   | 14.0%                     |                               |
| T. Rowe Price Large-Cap Growth Strategy                       | 11.5%                   | 7.5%                      |                               |
| DFA U.S. Large Cap Value Portfolio                            | 11.5%                   | 7.5%                      |                               |
| Vanguard Explorer Fund  | 5.5%                    | 3.5%                      |                               |
| DFA U.S. Targeted Value Portfolio                             | 2.5%                    | 1.5%                      |                               |
| Ariel Fund  | 3.0%                    | 2.0%                      |                               |
| DWS RREEF Global Real Estate Securities Fund                  | 7.0%                    | 4.0%                      |                               |
| Vanguard Total International Stock Index Fund                 | 14.0%                   | 8.5%                      |                               |
| Invesco Oppenheimer International Growth Fund                 | 6.0%                    | 3.0%                      |                               |
| Dodge & Cox International Stock Fund                          | 6.0%                    | 3.0%                      |                               |
| DFA International Small Company Portfolio                     | 3.0%                    | 1.5%                      |                               |
| DFA Emerging Markets Core Equity Portfolio                    | 7.0%                    | 4.0%                      |                               |
| <b>TOTAL</b>  | <b>100.0%</b>           | <b>100.0%</b>             | <b>100.0%</b>                 |

The actual allocation of assets in Portfolios that invest in more than one Underlying Investment will vary over time due to market performance and will be rebalanced on an ongoing basis in order to maintain the Portfolio's target asset allocation. In seeking to meet the investment objective of each Portfolio, allocations to individual Underlying Investments and their weightings may change without prior notice to Account Owners in response to changing market or economic conditions subject to applicable law and regulations and to the Treasurer's approval. The Program Manager will allocate each Portfolio's assets among Underlying Investments within the guidelines of each Portfolio's investment objective. In addition, from time to time, a Portfolio may not be fully invested and may hold a limited amount of cash as

needed to avoid overdrafts due to redemption requests, securities settlements or similar situations. Portfolios with higher allocations in fixed income, deposit accounts, and money market Underlying Investments tend to be less volatile in investment performance than those with higher allocations in equity Underlying Investments. None of the Portfolios are designed to provide any particular total return over any particular time period or investment time horizon. Account Owners own interests in a Portfolio; they do not have a direct beneficial interest in the separate accounts and other Underlying Investments held by that Portfolio and, therefore, do not have the rights of an owner or shareholder of such investments.

## INDIVIDUAL FUND PORTFOLIOS

The Program currently offers 17 Individual Fund Portfolios. Each Individual Fund Portfolio invests solely in shares of a single Underlying Investment. You may allocate your Contributions to an Account among one or more Individual Fund Portfolios according to your investment objective and risk tolerance. Because each Individual Fund Portfolio invests in a single Underlying Investment, the performance of such Individual Fund Portfolio is based solely on the performance of the Underlying Investment in that Portfolio. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than that of the Target or Age-Based Portfolios.

**Portfolios may (a) invest in registered or unregistered funds; (b) have their assets managed in a separate account in accordance with the Program Management Agreement and Investment Policy Statement; or (c) a combination of the two.**

Account Owners do not own shares of the Underlying Investments directly, but rather, own shares in a Portfolio of the Program. The Underlying Investment in which each Individual Fund Portfolio is invested are set forth in "Exhibit B – Investment Portfolios and Underlying Investments." 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 Investment 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 Investment by contacting the underlying mutual fund company. Please read it carefully before investing.**

The Individual Fund Portfolios available for investment on the effective date of this Program Disclosure Statement are briefly described as follows:

### **Bank Savings 529 Portfolio**

- **Bank Savings 529 Portfolio** – invests solely in a FDIC-insured interest-bearing deposit account at Union Bank and Trust Company and/or Nelnet Bank.

**Investment Objective:** The fund seeks income consistent with the preservation of principal and invests all of its assets in a FDIC-insured interest-bearing deposit account held at Union Bank and Trust Company and/or Nelnet Bank.

**Principal Risks:** Interest rate risk that the interest earned on the Bank Savings 529 Portfolio will not be as remunerative as other available investments; Credit risk to the extent that an investment exceeds the limit provided by FDIC insurance; Investment risk; and Regulatory Risk.

### **Money Market 529 Portfolio**

- **Vanguard Federal Money Market 529 Portfolio** – invests solely in Vanguard Federal Money Market Fund.

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

**Principal Risks:** Income risk, Manager risk, Credit risk.

### **Fixed Income 529 Portfolios**

- **Baird Short-Term Bond 529 Portfolio** – invests solely in the Baird Short-Term Bond Fund.

**Investment Objective:** The fund seeks an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index.

**Principal Risks:** Management Risks, Bond Market Risks, Credit Quality Risks, Mortgage- and Asset-Backed Debt Obligations Risks, Extension Risk, Call Risks, Government Obligations Risks, Liquidity Risks, Municipal Obligations Risks, Foreign Securities Risks, Valuation Risks, Sector Risks, Recent Market Events, Cybersecurity 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.

**Principal Risks:** Income fluctuations, Real interest rate 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.

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

- **Dodge & Cox Income 529 Portfolio** – invests solely in the Dodge & Cox Income Fund.

**Investment Objective:** The fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

**Principal Risks:** Interest rate risk, Credit risk, Below investment-grade securities risk, Mortgage- and asset-backed securities risk, Non-U.S. investment risk, Liquidity risk, Derivatives risk, Call Risk, Sovereign and government-related debt risk, Manager risk, Market risk.

- **Vanguard Total International Bond Index 529 Portfolio** – invests solely in the Vanguard Total International Bond Index Fund.

**Investment Objective:** The fund seeks to track the performance of a benchmark index that measures the investment return of non-U.S. dollar-denominated investment-grade bonds.

**Principal Risks:** Country/regional risk, Interest rate risk, Income risk, Nondiversification risk, Credit risk, Call risk, Index sampling risk, Currency risk and currency hedging risk, Derivatives risk.

### **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, Asset concentration risk, Interest rate risk, Investment style risk, Nondiversification risk.



## **Domestic (U.S.) Equity 529 Portfolios**

- **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 U.S. Large Cap Value Portfolio is to achieve long-term capital appreciation.

**Principal Risks:** Equity Market Risk, Value Investment Risk, Profitability Investment Risk, Derivatives Risk, Securities Lending Risk, Operational 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.

**Principal 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.

**Principal Risks:** Stock market risk, Index sampling risk.

- **T. Rowe Price Large-Cap Growth 529 Portfolio** – invests solely in the T. Rowe Price Large-Cap Growth Strategy. Unlike the other Individual Fund Portfolios this Strategy is a separately managed account that does not invest solely in a single mutual fund.

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

**Principal Risks:** Growth investing, Market conditions, Stock investing, Nondiversification, Large-cap stocks, Sector exposure, Foreign investing, Private placements and IPOs, Liquidity, Active management, Cybersecurity breaches.

- **Ariel 529 Portfolio** – invests solely in the Ariel Fund.

**Investment Objective:** The fund's fundamental objective is long-term capital appreciation.

**Principal Risks:** General Investing Risks, Value Investing Risks, Equity Investing Risks, Smaller Company Risks, Concentration Risks, Foreign Risks, Foreign Currency and Derivatives Risk, Exchange Traded Fund ("ETF") Risk, Excess Cash Risks, Regulatory Risks, Price Fluctuation Risk, Investing Risk Arising from Public Health Threats, such as COVID-19, Equity Investing Risk Relating to Business Continuity/Operational and Cybersecurity Risks.

- **DFA U.S. Targeted Value 529 Portfolio** – invests solely in the DFA U.S. Targeted Value Portfolio.

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

**Principal Risks:** Equity Market Risk, Small and Mid-Cap Company Risk, Value Investment Risk, Profitability Investment Risk, Derivatives Risk, Securities Lending Risk, Operational Risk, Cyber Security 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 Portfolios**

- **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.

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

- **DFA International Small Company 529 Portfolio** – invests solely in the DFA International Small Company Portfolio.

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

**Principal Risks:** Fund of Funds Risk, Equity Market Risk, Foreign Securities and Currencies Risk, Small Company Risk, Profitability Investment Risk, Value Investment Risk, Derivatives Risk, Securities Lending Risk, Operational Risk, Cyber Security Risk.

**For additional information on the Underlying Investments 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 Investment by contacting the underlying mutual fund company. "Exhibit B - Investment Portfolios and Underlying Investments" includes limited information from the prospectus of each underlying mutual fund or separately managed account. The descriptions above are taken from the most recent prospectuses (dated prior to September 30, 2021) of the relevant funds and are intended to provide general information regarding the mutual funds' respective investment objectives. You should consult each mutual fund's prospectus for more complete information. You can obtain the prospectus for any of the funds from the applicable underlying mutual fund company and at [BrightStart.com](http://BrightStart.com).**

**It is important to remember that none of the Program, the State of Illinois or its officials/employees, the Treasurer, the Trust, the Trustee, nor the Program Manager or any of their affiliates, or any other entity or individual can guarantee a minimum rate of return. Except for Underlying Investments in the FDIC-insured interest-bearing bank deposit account, funds deposited in an Account are not insured by the FDIC. Furthermore, funds deposited in an Account are not guaranteed or insured by the State of Illinois, the Treasurer, the Trust, the Trustee, the Program Manager or its affiliates, the FDIC, or any other entity or individual. You may lose some or all of the amount contributed. See "Certain Risks to Consider."**

### Can I Change My Investment Selection?

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 in Beneficiary. If an Account Owner has multiple accounts in the Program for the same Beneficiary, or multiple accounts in the Program and other Illinois Section 529 programs, the Account Owner may change the Portfolios in all such accounts without tax consequences, as 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 Beneficiary.

A transfer from the Bright Directions Advisor-Guided 529 College Savings Program, or College Illinois! to the Bright Start Direct-Sold College Savings Program or vice versa, for the same Beneficiary, is treated as an investment change. Investment changes are allowed only twice per calendar year or upon a change of Beneficiary.

A transfer from the Bright Directions Advisor-Guided 529 College Savings Program, or College Illinois! to the Bright Start Direct-Sold College Savings Program or vice versa, with a change of Beneficiary to a Member of the Family of the former Beneficiary, is treated not as an investment change, but rather as a nontaxable transfer of assets.

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 **BrightStart.com** to complete an investment change online. You may also download the Change of Investment Option Form from BrightStart.com and complete and submit the form as stated in the 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 personally identifiable information prior to acting on telephone or Internet instructions. None of the Program Manager, the Trust, nor the Trustee will be liable for following telephone or Internet instructions that are reasonably believed to be genuine.

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

Yes, you can make an investment change twice per calendar year or upon a change of Beneficiary. You may change the investment of current and/or future Contributions by logging into your Account at **BrightStart.com**. If you submit a paper Investment Change Form by mail, your current balance and all future Contributions will be invested as directed on the form.

### How Is the Value of My Account Calculated?

Your Account will contain a portion of each Portfolio you have selected for investment, expressed as a number of shares. The net asset value ("NAV") of each share of a Portfolio is determined by dividing:

- The value of such Portfolio's Underlying Investments less any liabilities (including accrued program management and state fees), by
- The number of outstanding shares in such Portfolio.

The value of each Underlying Investment is determined in accordance with procedures described in such Underlying Investment's respective current prospectus (in the case of mutual funds) or in a comparable manner (in the case of separate accounts). All values are normally calculated each business day the New York Stock Exchange ("NYSE") is open. If the NAV of an Underlying Investment is not able to be determined for a given day, the NAV for a Portfolio holding such Underlying Investment may not be able to be determined for that day. The value of your Account will increase or decrease depending on the aggregate value of the Underlying Investments.

### Pricing of Units

The unit value for each Portfolio is calculated after the NAV for each Underlying Investment is determined. On each day the NYSE is open for business each of the Underlying Investments calculates a NAV as of the close of regular trading (normally 3:00 p.m. Central Time).

Once each Underlying Investment has calculated its respective NAV, the unit value of the Portfolios is then calculated. The Portfolio NAV is determined by dividing the dollar value of the Portfolio's net assets (i.e. total Portfolio assets minus total Portfolio liabilities) by the number of Portfolio units outstanding. On holidays or other days when the NYSE is closed, the Portfolio's unit price is not calculated, and purchase or redemption requests are not processed until the next business day.

Contribution and redemption orders for your Account that are received in good order before the close of regular trading on the NYSE on a business day and accepted by the Program Manager or its designee will be processed as follows:

- If your transaction request is received in good order on a business day before the close of regular trading on the NYSE, your request will be processed at that day's next calculated unit value.
- If your transaction request is received in good order on a business day after the close of the NYSE or at any time on a non-business day, your request will be processed at the unit value calculated on the next business day. Contribution requests accompanied by payment made via electronic transfer will be processed on the day that the bank debit occurs.

The Portfolios, except for the Vanguard Federal Money Market 529 Portfolio and Bank Savings 529 Portfolio, do not make distributions of their income, including dividends, interest and capital gains. The dividends and capital gains distributions of the Underlying Investments received by the Portfolios are not distributed by the Portfolios as earnings (except for the Vanguard Federal Money Market 529 Portfolio and Bank Savings 529 Portfolio); such dividends and distributions are reinvested in the applicable Underlying Investment(s) and are reflected in the NAV.

## PORTFOLIO PERFORMANCE

### How Have the Portfolios Performed?

The following Portfolio Performance table shows the past performance for each of the Portfolios. Performance figures are shown reflecting the Program's expenses and the expenses of the Underlying Investments. 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 prediction 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 Portfolios current to the most recent month-end, visit the Program's website at [BrightStart.com](https://BrightStart.com).**

Account Owners do not own shares of the Underlying Investments directly, but rather, own shares in a Portfolio of the Program. As a result, the performance of the Portfolios will differ from the performance of the Underlying Investments, 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 Investments and the Portfolios.

Performance differences between a Portfolio and its Underlying Investment may also result from differences in the timing of purchases. On days when Contributions are made to an Account, the Age-Based, Target and Individual Fund Portfolios will not use that money to purchase shares of an Underlying Investment until the next business day. This timing difference, depending on how the markets are moving, will cause the Portfolio's performance either to trail or exceed the Underlying Investment's performance.

The performance information below does not include performance for the Bank Savings 529 Portfolio which was added to the Plan effective November 9, 2021. Performance information for this Portfolio is available to the most recent month-end on the Program's website at [BrightStart.com](https://BrightStart.com).

# PORTFOLIO PERFORMANCE

as of September 30, 2021

| Index Strategy Age-Based Portfolios             | 1 Year | 3 Year | Since Inception | Inception Date |
|---|--------|--------|-----------------|----------------|
| <b>Index Aggressive Age-Based Portfolios</b>    |        |        |                 |                |
| 0 - 2 years                                     | 29.39% | 12.93% | 12.48%          | 7/17/17        |
| 3 - 5 years                                     | 26.43% | 12.54% | 11.99%          | 7/17/17        |
| 6 - 8 years                                     | 23.66% | 11.90% | 11.26%          | 7/17/17        |
| 9 - 10 years                                    | 20.69% | 11.13% | 10.29%          | 7/17/17        |
| 11 - 12 years                                   | 17.71% | 10.50% | 9.55%           | 7/17/17        |
| 13 - 14 years                                   | 14.62% | 9.81%  | 8.80%           | 7/17/17        |
| 15 - 16 years                                   | 12.00% | 8.89%  | 7.79%           | 7/17/17        |
| 17 - 18 years                                   | 9.25%  | 7.76%  | 6.63%           | 7/17/17        |
| age 19 +  | 6.39%  | 6.48%  | 5.42%           | 7/17/17        |
| <b>Index Moderate Age-Based Portfolios</b>      |        |        |                 |                |
| 0 - 2 years                                     | 26.43% | 12.54% | 11.99%          | 7/17/17        |
| 3 - 5 years                                     | 23.66% | 11.90% | 11.26%          | 7/17/17        |
| 6 - 8 years                                     | 20.69% | 11.13% | 10.29%          | 7/17/17        |
| 9 - 10 years                                    | 17.71% | 10.50% | 9.55%           | 7/17/17        |
| 11 - 12 years                                   | 14.62% | 9.81%  | 8.80%           | 7/17/17        |
| 13 - 14 years                                   | 12.00% | 8.89%  | 7.79%           | 7/17/17        |
| 15 - 16 years                                   | 9.25%  | 7.76%  | 6.63%           | 7/17/17        |
| 17 - 18 years                                   | 6.39%  | 6.48%  | 5.42%           | 7/17/17        |
| age 19 +  | 3.61%  | 4.87%  | 3.96%           | 7/17/17        |
| <b>Index Conservative Age-Based Portfolios</b>  |        |        |                 |                |
| 0 - 2 years                                     | 23.66% | 11.90% | 11.26%          | 7/17/17        |
| 3 - 5 years                                     | 20.69% | 11.13% | 10.29%          | 7/17/17        |
| 6 - 8 years                                     | 17.71% | 10.50% | 9.55%           | 7/17/17        |
| 9 - 10 years                                    | 14.62% | 9.81%  | 8.80%           | 7/17/17        |
| 11 - 12 years                                   | 12.00% | 8.89%  | 7.79%           | 7/17/17        |
| 13 - 14 years                                   | 9.25%  | 7.76%  | 6.63%           | 7/17/17        |
| 15 - 16 years                                   | 6.39%  | 6.48%  | 5.42%           | 7/17/17        |
| 17 - 18 years                                   | 3.61%  | 4.87%  | 3.96%           | 7/17/17        |
| age 19 +  | 0.55%  | 2.63%  | 2.09%           | 7/17/17        |
| <b>Multi-Firm Strategy Age-Based Portfolios</b> |        |        |                 |                |
| <b>Aggressive Age-Based Portfolios</b>          |        |        |                 |                |
| 0 - 2 years                                     | 33.44% | 12.63% | 12.32%          | 7/17/17        |
| 3 - 5 years                                     | 30.51% | 12.25% | 11.86%          | 7/17/17        |
| 6 - 8 years                                     | 27.05% | 11.71% | 11.19%          | 7/17/17        |
| 9 - 10 years                                    | 24.10% | 10.95% | 10.25%          | 7/17/17        |
| 11 - 12 years                                   | 20.49% | 10.24% | 9.46%           | 7/17/17        |
| 13 - 14 years                                   | 17.48% | 9.62%  | 8.76%           | 7/17/17        |
| 15 - 16 years                                   | 14.33% | 8.54%  | 7.64%           | 7/17/17        |
| 17 - 18 years                                   | 11.22% | 7.54%  | 6.59%           | 7/17/17        |
| age 19 +  | 7.76%  | 6.31%  | 5.44%           | 7/17/17        |
| <b>Moderate Age-Based Portfolios</b>            |        |        |                 |                |
| 0 - 2 years                                     | 30.51% | 12.25% | 11.86%          | 7/17/17        |
| 3 - 5 years                                     | 27.05% | 11.71% | 11.19%          | 7/17/17        |
| 6 - 8 years                                     | 24.10% | 10.95% | 10.25%          | 7/17/17        |
| 9 - 10 years                                    | 20.49% | 10.24% | 9.46%           | 7/17/17        |
| 11 - 12 years                                   | 17.48% | 9.62%  | 8.76%           | 7/17/17        |
| 13 - 14 years                                   | 14.33% | 8.54%  | 7.64%           | 7/17/17        |
| 15 - 16 years                                   | 11.22% | 7.54%  | 6.59%           | 7/17/17        |
| 17 - 18 years                                   | 7.76%  | 6.31%  | 5.44%           | 7/17/17        |
| age 19 +  | 4.61%  | 4.76%  | 3.98%           | 7/17/17        |
| <b>Conservative Age-Based Portfolios</b>        |        |        |                 |                |
| 0 - 2 years                                     | 27.05% | 11.71% | 11.19%          | 7/17/17        |
| 3 - 5 years                                     | 24.10% | 10.95% | 10.25%          | 7/17/17        |
| 6 - 8 years                                     | 20.49% | 10.24% | 9.46%           | 7/17/17        |
| 9 - 10 years                                    | 17.48% | 9.62%  | 8.76%           | 7/17/17        |
| 11 - 12 years                                   | 14.33% | 8.54%  | 7.64%           | 7/17/17        |
| 13 - 14 years                                   | 11.22% | 7.54%  | 6.59%           | 7/17/17        |
| 15 - 16 years                                   | 7.76%  | 6.31%  | 5.44%           | 7/17/17        |
| 17 - 18 years                                   | 4.61%  | 4.76%  | 3.98%           | 7/17/17        |
| age 19 +  | 0.92%  | 2.63%  | 2.13%           | 7/17/17        |

## PORTFOLIO PERFORMANCE

as of September 30, 2021 (continued)

| Target Portfolios                            | 1 Year | 3 Year | Since Inception | Inception Date |
|--|--------|--------|-----------------|----------------|
| <b>Index Strategy Target Portfolios</b>      |        |        |                 |                |
| Index Equity Portfolio                       | 29.39% | 12.93% | 12.48%          | 7/17/17        |
| Index Balanced Portfolio                     | 17.71% | 10.50% | 9.55%           | 7/17/17        |
| Index Fixed Income Portfolio                 | 0.55%  | 2.63%  | 2.09%           | 7/17/17        |
| <b>Multi-Firm Strategy Target Portfolios</b> |        |        |                 |                |
| Equity Portfolio                             | 33.44% | 12.63% | 12.32%          | 7/17/17        |
| Balanced Portfolio                           | 20.49% | 10.24% | 9.46%           | 7/17/17        |
| Fixed Income Portfolio                       | 0.92%  | 2.63%  | 2.13%           | 7/17/17        |

| Individual Fund Portfolios   | 1 Year | 3 Year | Since Inception | Inception Date |
|--|--------|--------|-----------------|----------------|
| Vanguard Federal Money Market 529 Portfolio*                           | 0.01%  | 1.00%  | 1.06%           | 7/17/17        |
| Baird Short-Term Bond 529 Portfolio                                    | 0.64%  | 3.17%  | 2.42%           | 7/17/17        |
| Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio | 5.47%  | 4.45%  | 3.50%           | 7/17/17        |
| Vanguard Total Bond Market Index 529 Portfolio                         | -1.03% | 5.31%  | 3.54%           | 7/17/17        |
| Dodge & Cox Income 529 Portfolio                                       | 1.87%  | 6.07%  | 4.42%           | 7/17/17        |
| Vanguard Total International Bond Index 529 Portfolio                  | -1.03% | 3.95%  | 3.48%           | 7/17/17        |
| Vanguard Real Estate Index 529 Portfolio                               | 33.46% | 11.87% | 8.82%           | 7/17/17        |
| DFA U.S. Large Cap Value 529 Portfolio                                 | 40.81% | 8.34%  | 8.27%           | 8/22/18        |
| Vanguard 500 Index 529 Portfolio                                       | 29.91% | 15.80% | 16.03%          | 7/17/17        |
| Vanguard Total Stock Market Index 529 Portfolio                        | 31.94% | 15.99% | 15.82%          | 8/22/18        |
| T. Rowe Price Large-Cap Growth 529 Portfolio                           | 30.41% | 21.96% | 22.99%          | 7/17/17        |
| Ariel 529 Portfolio  | 65.85% | 12.00% | 12.07%          | 7/17/17        |
| DFA U.S. Targeted Value 529 Portfolio                                  | 72.03% | 9.09%  | 9.67%           | 7/17/17        |
| Vanguard Explorer 529 Portfolio  | 41.75% | 15.76% | 18.48%          | 7/17/17        |
| Vanguard Total International Stock Index 529 Portfolio                 | 24.20% | 8.18%  | 6.88%           | 7/17/17        |
| DFA International Small Company 529 Portfolio                          | 32.34% | 8.18%  | 7.00%           | 7/17/17        |

\*You could lose money by investing in this investment option. Although the money market fund in which your investment option invests (the "underlying fund") seeks to preserve its value at \$1.00 per share, the underlying fund cannot guarantee it will do so. An investment in this investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund's sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

### PROGRAM FEES AND EXPENSES

#### What Does the Program Cost?

The Portfolios incur a program management fee and a state administrative fee on a daily basis. These fees are not reflected as a direct charge on your Account statements, but rather, are reflected as an expense in the daily NAV calculation for each Portfolio, as discussed above in the section titled "How is the Value of my Account Calculated". The annualized program management fee and the annualized state administrative fee are currently 0.07% and 0.03%, respectively, of the average daily net assets of each Portfolio. However, there is no state administrative fee for the Index Age-Based Portfolios, Index Target Portfolios, Index Individual Fund Portfolios, Bank Savings 529 Portfolio, or the Money Market 529 Portfolio. The fees received by the Treasurer will be used to cover the costs of recordkeeping, investment management, and administration which may include custody, customer service, and marketing. The Treasurer may, in its sole discretion, modify the state administrative fee. Account owners will be notified of any change in the state administrative fee.

At September 30, 2021, the amount of aggregate assets for the Program and the Bright Directions Advisor-Guided 529 College Savings Program managed by the Program Manager was \$16.59 billion. The annual program management fee rate was reduced from 0.075% to 0.07% when aggregate assets exceeded \$16.0 billion for a particular time period (in the manner calculated by agreement between the Program Manager and the Treasurer). In the event that such aggregate assets fall below \$16.0 billion for a particular time period (calculated in the same manner), then the annual program management fee rate would increase to 0.075%.

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 bear, indirectly, its pro rata share of the fees and expenses of each of the Underlying Investments. Although these expenses and fees are not charged to Program Accounts directly, they will reduce the investment returns realized by each Portfolio. The Program Manager may receive from one or more Underlying Investments an amount to compensate the Program Manager for performing certain administrative or other shareholder services associated with maintaining an investment in such Underlying Investments.

The foregoing current cost information is summarized as follows:

| ANNUAL ASSET-BASED FEES (DEDUCTED FROM PORTFOLIO ASSETS)  |             |
|---|-------------|
| Program Management Fee  | 0.07%       |
| State Administrative Fee (all Portfolios other than Index Portfolios)                           | 0.03%       |
| State Administrative Fee (Index Portfolios, Bank Savings Portfolio, and Money Market Portfolio) | 0.00%       |
| Underlying Investments Expense Ratio Range  | 0.00%-0.72% |
| Annual Account Fee  | none        |

The Fee & Expense tables on the following two pages set forth the Program'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" set forth in such tables include the estimated underlying investment expenses and the current program management and state administrative fee assessed against each Portfolio.



## FEE & EXPENSE TABLE: AGE-BASED PORTFOLIOS

| Age-Based Portfolios                           | Estimated Underlying Investments Expenses <sup>1</sup> | State Fee | Program Management Fee | Total Annual Asset-Based Fee |
|--|--|-----------|------------------------|------------------------------|
| <b>Index Aggressive Age-Based Portfolios</b>   |  |           |                        |                              |
| 0 - 2 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 3 - 5 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 6 - 8 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 9 - 10 years                                   | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 11 - 12 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 13 - 14 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 15 - 16 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 17 - 18 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| age 19 +                                       | 0.04%  | none      | 0.07%                  | 0.11%                        |
| <b>Index Moderate Age-Based Portfolios</b>     |  |           |                        |                              |
| 0 - 2 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 3 - 5 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 6 - 8 years                                    | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 9 - 10 years                                   | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 11 - 12 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 13 - 14 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 15 - 16 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 17 - 18 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| age 19 +                                       | 0.04%  | none      | 0.07%                  | 0.11%                        |
| <b>Index Conservative Age-Based Portfolios</b> |  |           |                        |                              |
| 0 - 2 years                                    | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 3 - 5 years                                    | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 6 - 8 years                                    | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 9 - 10 years                                   | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 11 - 12 years                                  | 0.05%  | none      | 0.07%                  | 0.12%                        |
| 13 - 14 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 15 - 16 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| 17 - 18 years                                  | 0.04%  | none      | 0.07%                  | 0.11%                        |
| age 19 +                                       | 0.05%  | none      | 0.07%                  | 0.12%                        |
| <b>Aggressive Age-Based Portfolios</b>         |  |           |                        |                              |
| 0 - 2 years                                    | 0.31%  | 0.03%     | 0.07%                  | 0.41%                        |
| 3 - 5 years                                    | 0.30%  | 0.03%     | 0.07%                  | 0.40%                        |
| 6 - 8 years                                    | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 9 - 10 years                                   | 0.30%  | 0.03%     | 0.07%                  | 0.40%                        |
| 11 - 12 years                                  | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 13 - 14 years                                  | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 15 - 16 years                                  | 0.27%  | 0.03%     | 0.07%                  | 0.37%                        |
| 17 - 18 years                                  | 0.24%  | 0.03%     | 0.07%                  | 0.34%                        |
| age 19 +                                       | 0.22%  | 0.03%     | 0.07%                  | 0.32%                        |
| <b>Moderate Age-Based Portfolios</b>           |  |           |                        |                              |
| 0 - 2 years                                    | 0.30%  | 0.03%     | 0.07%                  | 0.40%                        |
| 3 - 5 years                                    | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 6 - 8 years                                    | 0.30%  | 0.03%     | 0.07%                  | 0.40%                        |
| 9 - 10 years                                   | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 11 - 12 years                                  | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 13 - 14 years                                  | 0.27%  | 0.03%     | 0.07%                  | 0.37%                        |
| 15 - 16 years                                  | 0.24%  | 0.03%     | 0.07%                  | 0.34%                        |
| 17 - 18 years                                  | 0.22%  | 0.03%     | 0.07%                  | 0.32%                        |
| age 19 +                                       | 0.17%  | 0.03%     | 0.07%                  | 0.27%                        |
| <b>Conservative Age-Based Portfolios</b>       |  |           |                        |                              |
| 0 - 2 years                                    | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 3 - 5 years                                    | 0.30%  | 0.03%     | 0.07%                  | 0.40%                        |
| 6 - 8 years                                    | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 9 - 10 years                                   | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| 11 - 12 years                                  | 0.27%  | 0.03%     | 0.07%                  | 0.37%                        |
| 13 - 14 years                                  | 0.24%  | 0.03%     | 0.07%                  | 0.34%                        |
| 15 - 16 years                                  | 0.22%  | 0.03%     | 0.07%                  | 0.32%                        |
| 17 - 18 years                                  | 0.17%  | 0.03%     | 0.07%                  | 0.27%                        |
| age 19 +                                       | 0.10%  | 0.03%     | 0.07%                  | 0.20%                        |

<sup>1</sup> For registered mutual funds, in the absence of a change that would materially affect the information, based on the expense ratio reported in the applicable fund's most recent prospectus dated prior to September 30, 2021, 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. The expense ratio for the T. Rowe Price Large-Cap Growth Strategy separately managed account as of the date of this Program Disclosure Statement is estimated at 0.33%.

## FEE & EXPENSE TABLE: TARGET PORTFOLIOS

| Target Portfolios            | Estimated Underlying Investments Expenses <sup>1</sup> | State Fee | Program Management Fee | Total Annual Asset-Based Fee |
|------------------------------|--|-----------|------------------------|------------------------------|
| <b>Index Strategy</b>        |  |           |                        |                              |
| Index Equity Portfolio       | 0.04%  | none      | 0.07%                  | 0.11%                        |
| Index Balanced Portfolio     | 0.05%  | none      | 0.07%                  | 0.12%                        |
| Index Fixed Income Portfolio | 0.05%  | none      | 0.07%                  | 0.12%                        |
| <b>Multi-Firm Strategy</b>   |  |           |                        |                              |
| Equity Portfolio             | 0.31%  | 0.03%     | 0.07%                  | 0.41%                        |
| Balanced Portfolio           | 0.29%  | 0.03%     | 0.07%                  | 0.39%                        |
| Fixed Income Portfolio       | 0.10%  | 0.03%     | 0.07%                  | 0.20%                        |

## FEE & EXPENSE TABLE: INDIVIDUAL FUND PORTFOLIOS

| Individual Fund Portfolios   | Estimated Underlying Fund Expenses <sup>1</sup> | State Fee | Program Management Fee | Total Annual Asset-Based Fee |
|--|---|-----------|------------------------|------------------------------|
| Bank Savings 529 Portfolio   | 0.00%   | none      | 0.07%                  | 0.07%                        |
| Vanguard Federal Money Market 529 Portfolio                            | 0.11%   | none      | 0.07%                  | 0.18%                        |
| Baird Short-Term Bond 529 Portfolio                                    | 0.30%   | 0.03%     | 0.07%                  | 0.40%                        |
| Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio | 0.04%   | none      | 0.07%                  | 0.11%                        |
| Vanguard Total Bond Market Index 529 Portfolio                         | 0.03%   | none      | 0.07%                  | 0.10%                        |
| Dodge & Cox Income 529 Portfolio                                       | 0.42%   | 0.03%     | 0.07%                  | 0.52%                        |
| Vanguard Total International Bond Index 529 Portfolio                  | 0.07%   | none      | 0.07%                  | 0.14%                        |
| Vanguard Real Estate Index 529 Portfolio                               | 0.10%   | none      | 0.07%                  | 0.17%                        |
| DFA U.S. Large Cap Value 529 Portfolio                                 | 0.22%   | 0.03%     | 0.07%                  | 0.32%                        |
| Vanguard 500 Index 529 Portfolio                                       | 0.02%   | none      | 0.07%                  | 0.09%                        |
| Vanguard Total Stock Market Index 529 Portfolio                        | 0.02%   | none      | 0.07%                  | 0.09%                        |
| T. Rowe Price Large-Cap Growth 529 Portfolio                           | 0.33%   | 0.03%     | 0.07%                  | 0.43%                        |
| Ariel 529 Portfolio  | 0.72%   | 0.03%     | 0.07%                  | 0.82%                        |
| DFA U.S. Targeted Value 529 Portfolio                                  | 0.33%   | 0.03%     | 0.07%                  | 0.43%                        |
| Vanguard Explorer 529 Portfolio  | 0.30%   | 0.03%     | 0.07%                  | 0.40%                        |
| Vanguard Total International Stock Index 529 Portfolio                 | 0.07%   | none      | 0.07%                  | 0.14%                        |
| DFA International Small Company 529 Portfolio                          | 0.44%   | 0.03%     | 0.07%                  | 0.54%                        |

<sup>1</sup>For registered mutual funds, in the absence of a change that would materially affect the information, based on the expense ratio reported in the applicable fund's most recent prospectus dated prior to September 30, 2021, 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. The expense ratio for the T. Rowe Price Large-Cap Growth Strategy separately managed account as of the date of this Program Disclosure Statement is estimated at 0.33%.

## Hypothetical Expense Example

The following tables compare the approximate cost of investing in the Program 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 Federal Qualified Higher Education Expenses and, therefore, does not reflect the impact of potential federal, state, or local taxes or penalties. This hypothetical example 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: AGE-BASED PORTFOLIOS

| Hypothetical Expense Example                   |        |         |         |          |
|--|--------|---------|---------|----------|
| Age-Based Portfolios                           | 1 Year | 3 Years | 5 Years | 10 Years |
| <b>Index Aggressive Age-Based Portfolios</b>   |        |         |         |          |
| 0 - 2 years                                    | \$11   | \$36    | \$62    | \$141    |
| 3 - 5 years                                    | \$11   | \$36    | \$62    | \$141    |
| 6 - 8 years                                    | \$11   | \$36    | \$62    | \$141    |
| 9 - 10 years                                   | \$12   | \$39    | \$68    | \$154    |
| 11 - 12 years                                  | \$12   | \$39    | \$68    | \$154    |
| 13 - 14 years                                  | \$12   | \$39    | \$68    | \$154    |
| 15 - 16 years                                  | \$12   | \$39    | \$68    | \$154    |
| 17 - 18 years                                  | \$11   | \$36    | \$62    | \$141    |
| age 19 +                                       | \$11   | \$36    | \$62    | \$141    |
| <b>Index Moderate Age-Based Portfolios</b>     |        |         |         |          |
| 0 - 2 years                                    | \$11   | \$36    | \$62    | \$141    |
| 3 - 5 years                                    | \$11   | \$36    | \$62    | \$141    |
| 6 - 8 years                                    | \$12   | \$39    | \$68    | \$154    |
| 9 - 10 years                                   | \$12   | \$39    | \$68    | \$154    |
| 11 - 12 years                                  | \$12   | \$39    | \$68    | \$154    |
| 13 - 14 years                                  | \$12   | \$39    | \$68    | \$154    |
| 15 - 16 years                                  | \$11   | \$36    | \$62    | \$141    |
| 17 - 18 years                                  | \$11   | \$36    | \$62    | \$141    |
| age 19 +                                       | \$11   | \$36    | \$62    | \$141    |
| <b>Index Conservative Age-Based Portfolios</b> |        |         |         |          |
| 0 - 2 years                                    | \$11   | \$36    | \$62    | \$141    |
| 3 - 5 years                                    | \$12   | \$39    | \$68    | \$154    |
| 6 - 8 years                                    | \$12   | \$39    | \$68    | \$154    |
| 9 - 10 years                                   | \$12   | \$39    | \$68    | \$154    |
| 11 - 12 years                                  | \$12   | \$39    | \$68    | \$154    |
| 13 - 14 years                                  | \$11   | \$36    | \$62    | \$141    |
| 15 - 16 years                                  | \$11   | \$36    | \$62    | \$141    |
| 17 - 18 years                                  | \$11   | \$36    | \$62    | \$141    |
| age 19 +                                       | \$12   | \$39    | \$68    | \$154    |
| <b>Aggressive Age-Based Portfolios</b>         |        |         |         |          |
| 0 - 2 years                                    | \$42   | \$132   | \$230   | \$518    |
| 3 - 5 years                                    | \$41   | \$129   | \$225   | \$506    |
| 6 - 8 years                                    | \$40   | \$126   | \$219   | \$494    |
| 9 - 10 years                                   | \$41   | \$129   | \$225   | \$506    |
| 11 - 12 years                                  | \$40   | \$126   | \$219   | \$494    |
| 13 - 14 years                                  | \$40   | \$126   | \$219   | \$494    |
| 15 - 16 years                                  | \$38   | \$119   | \$208   | \$469    |
| 17 - 18 years                                  | \$35   | \$109   | \$191   | \$431    |
| age 19 +                                       | \$33   | \$103   | \$180   | \$406    |
| <b>Moderate Age-Based Portfolios</b>           |        |         |         |          |
| 0 - 2 years                                    | \$41   | \$129   | \$225   | \$506    |
| 3 - 5 years                                    | \$40   | \$126   | \$219   | \$494    |
| 6 - 8 years                                    | \$41   | \$129   | \$225   | \$506    |
| 9 - 10 years                                   | \$40   | \$126   | \$219   | \$494    |
| 11 - 12 years                                  | \$40   | \$126   | \$219   | \$494    |
| 13 - 14 years                                  | \$38   | \$119   | \$208   | \$469    |
| 15 - 16 years                                  | \$35   | \$109   | \$191   | \$431    |
| 17 - 18 years                                  | \$33   | \$103   | \$180   | \$406    |
| age 19 +                                       | \$28   | \$87    | \$152   | \$344    |

## APPROXIMATE COST OF A \$10,000 INVESTMENT: AGE-BASED PORTFOLIOS (CONT.)

| Hypothetical Expense Example             |        |         |         |          |
|--|--------|---------|---------|----------|
| Age-Based Portfolios (cont.)             | 1 Year | 3 Years | 5 Years | 10 Years |
| <b>Conservative Age-Based Portfolios</b> |        |         |         |          |
| 0 - 2 years                              | \$40   | \$126   | \$219   | \$494    |
| 3 - 5 years                              | \$41   | \$129   | \$225   | \$506    |
| 6 - 8 years                              | \$40   | \$126   | \$219   | \$494    |
| 9 - 10 years                             | \$40   | \$126   | \$219   | \$494    |
| 11 - 12 years                            | \$38   | \$119   | \$208   | \$469    |
| 13 - 14 years                            | \$35   | \$109   | \$191   | \$431    |
| 15 - 16 years                            | \$33   | \$103   | \$180   | \$406    |
| 17 - 18 years                            | \$28   | \$87    | \$152   | \$344    |
| age 19 +                                 | \$21   | \$64    | \$113   | \$255    |

## APPROXIMATE COST OF A \$10,000 INVESTMENT: TARGET PORTFOLIOS

| Hypothetical Expense Example |        |         |         |          |
|------------------------------|--------|---------|---------|----------|
| Target Portfolios            | 1 Year | 3 Years | 5 Years | 10 Years |
| <b>Index Strategy</b>        |        |         |         |          |
| Index Equity Portfolio       | \$11   | \$36    | \$62    | \$141    |
| Index Balanced Portfolio     | \$12   | \$39    | \$68    | \$154    |
| Index Fixed Income Portfolio | \$12   | \$39    | \$68    | \$154    |
| <b>Multi-Firm Strategy</b>   |        |         |         |          |
| Equity Portfolio             | \$42   | \$132   | \$230   | \$518    |
| Balanced Portfolio           | \$40   | \$126   | \$219   | \$494    |
| Fixed Income Portfolio       | \$21   | \$64    | \$113   | \$255    |

## APPROXIMATE COST OF A \$10,000 INVESTMENT: INDIVIDUAL FUND PORTFOLIOS

| Hypothetical Expense Example   |        |         |         |          |
|--|--------|---------|---------|----------|
| Individual Fund Portfolios   | 1 Year | 3 Years | 5 Years | 10 Years |
| Bank Savings 529 Portfolio   | \$7    | \$23    | \$40    | \$90     |
| Vanguard Federal Money Market 529 Portfolio                            | \$18   | \$58    | \$102   | \$230    |
| Baird Short-Term Bond 529 Portfolio                                    | \$41   | \$129   | \$225   | \$506    |
| Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio | \$11   | \$36    | \$62    | \$141    |
| Vanguard Total Bond Market Index 529 Portfolio                         | \$10   | \$32    | \$57    | \$128    |
| Dodge & Cox Income 529 Portfolio                                       | \$53   | \$167   | \$291   | \$654    |
| Vanguard Total International Bond Index 529 Portfolio                  | \$14   | \$45    | \$79    | \$179    |
| Vanguard Real Estate Index 529 Portfolio                               | \$17   | \$55    | \$96    | \$217    |
| DFA U.S. Large Cap Value 529 Portfolio                                 | \$33   | \$103   | \$180   | \$406    |
| Vanguard 500 Index 529 Portfolio                                       | \$9    | \$29    | \$51    | \$116    |
| Vanguard Total Stock Market Index 529 Portfolio                        | \$9    | \$29    | \$51    | \$116    |
| T. Rowe Price Large-Cap Growth 529 Portfolio                           | \$44   | \$138   | \$241   | \$543    |
| Ariel 529 Portfolio  | \$84   | \$263   | \$457   | \$1,017  |
| DFA U.S. Targeted Value 529 Portfolio                                  | \$44   | \$138   | \$241   | \$543    |
| Vanguard Explorer 529 Portfolio  | \$41   | \$129   | \$225   | \$506    |
| Vanguard Total International Stock Index 529 Portfolio                 | \$14   | \$45    | \$79    | \$179    |
| DFA International Small Company 529 Portfolio                          | \$55   | \$174   | \$302   | \$678    |



## FEDERAL AND STATE TAX CONSIDERATIONS

### Introduction

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

Proposed regulations have been issued under Section 529 of the Code upon which taxpayers may rely at least until final regulations are issued. It is uncertain when final regulations will be issued. In addition, the Internal Revenue Service (“IRS”) has issued a number of rulings and notices on 529 qualified tuition programs. These authorities do not, however, provide guidance on various aspects of the Pool. Future guidance may necessitate changes in the Pool to meet the requirements of Section 529 of the Code. In the event that the Pool, 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 there could be adverse tax consequences. For example, undistributed earnings in Accounts could be subject to tax.

Final regulations or additional rulings issued by the IRS may alter the tax consequences described in this Program Disclosure Statement. Further, the Code and regulations thereunder, and judicial and administrative interpretations thereof, are subject to change. In addition, Illinois law and judicial and administrative interpretations thereof, are subject to change. Any such changes may be made without notice and may be prospective or retroactive.

The following discussion summarizes certain federal and Illinois income, gift, estate, and generation-skipping transfer (“GST”) tax rules applicable to Accounts. The summary does not address the potential effects on Account Owners or Beneficiaries of the tax laws of any state other than Illinois. In addition, this summary does not address the tax consequences of Accounts owned by a trust. The summary, including any examples, is not exhaustive and is not intended as individual tax or legal advice. In addition, there can be no assurance that the IRS or Illinois Department of Revenue will accept the statements made herein or, if challenged, that such statements would be sustained in court. The tax rules are complex, some of the rules are at present uncertain, and their application to any particular situation may vary according to facts and circumstances. A tax or legal advisor should be consulted about the application of the law in individual circumstances.

### What Are the Federal Income Tax Advantages of the Program?

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

- Investment earnings on the money invested in the Program will not be subject to federal income tax until they are distributed; and
- If the investment earnings are used for the Beneficiary’s Federal Qualified Higher Education Expenses, they are free from federal income tax.

### What Are the Illinois Income Tax Advantages of the Program?

There are three main Illinois income tax advantages to investing in the Program:

- Illinois taxpayers may claim an Illinois income tax deduction for certain Contributions to the Program;

- Investment earnings on the money invested in the Program will not be subject to Illinois income tax until they are distributed; and
- If a withdrawal is used for the Beneficiary’s Federal Qualified Higher Education Expenses the Earnings Portion of the withdrawal is free from Illinois income tax. If a withdrawal is an Illinois Nonqualified Withdrawal, and an Illinois income tax deduction was previously taken for Contributions to the Account, however, part or all of the Contributions Portion of the withdrawal may be added back to Illinois income.

### 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 for Illinois state income tax purposes.

An individual who files an individual Illinois state income tax return may deduct up to \$10,000 of total, combined Contributions to the Program, to the Bright Directions Advisor-Guided 529 College Savings Program, and to College Illinois! during the tax year. The Illinois Administrative Code provides that:

- A deduction of up to \$20,000 will be permitted for married taxpayers filing joint Illinois state income tax returns for their total, combined Contributions to the Program, to the Bright Directions Advisor-Guided 529 College Savings Program, and to College Illinois! during that tax year; and
- The \$10,000 (individual) and \$20,000 (joint) limitations on deductions will apply to the total Contributions made to the Program, to the Bright Directions Advisor-Guided 529 College Savings Program, and College Illinois! without regard to whether the Contributions are made to a single account or more than one account.

A contribution must be postmarked to Bright Start Direct-Sold College Savings Program no later than December 31st of a tax year in order to be eligible to be deducted with respect to such tax year. The Illinois Department of Revenue has stated (in a nonbinding general information letter) that the state income tax deduction is available to individuals other than the Account Owner who contribute to an Account. The deduction for Illinois individual income tax purposes for Contributions to the Program does not apply to transfers between Accounts of different Beneficiaries.

### What Are the Federal Gift, GST and Estate Tax Advantages of the Program?

Contributions to an Account are considered gifts to the Beneficiary of the Account for federal gift and GST tax purposes. Except as described below, 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. However, amounts in an Account at the death of the Beneficiary may be includible in the 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 year. Currently in 2021, the annual exclusion is \$15,000 per donee (increasing to \$16,000 in 2022), or twice that amount (i.e. \$30,000; increasing to \$32,000 in 2022) for a married donor whose spouse elects on a United States Gift Tax Return Form 709 to “split” gifts with the donor. The annual exclusion is indexed for inflation and is expected to increase in the future.

Under Section 529 of the Code, a donor's Contributions to an Account for a Beneficiary are completed gifts that are eligible for the gift tax annual exclusion. Contributions to an Account that qualify for the gift tax annual exclusion also qualify for an exclusion from the GST tax. Accordingly, so long as the donor's total Contributions to Accounts for the Beneficiary in any year (together with any other gifts made by the donor to the Beneficiary in such year) do not exceed the annual exclusion amount for such year, the donor's Contributions will not be considered taxable gifts or result in GST tax.

In addition, if a donor's total Contributions to Accounts for a Beneficiary in a single year exceed the annual exclusion for such year, the donor may elect to treat the Contributions, up to five times the annual exclusion, as having been made ratably over a five-year period. Consequently, a single donor may contribute up to \$75,000 in a single year (increasing to \$80,000 in 2022) without incurring federal gift tax, so long as the donor makes no other gifts to the same 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 United States Gift Tax Return Form 709.**

For example, a donor who makes a \$75,000 contribution to an Account for a Beneficiary in 2021, may elect to have that contribution treated as a \$15,000 gift in 2021 and a \$15,000 gift in each of the following four years. If the donor makes no other contributions or gifts to the Beneficiary before January 1, 2026, (and did not make a five-year election with respect to a contribution made during any of the previous four years), the donor will not be treated as making any taxable gifts to the 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 donor dies before the end of the five-year period, the portion of the contribution allocable to years after the year of death will be includible in the donor's gross estate for federal estate tax purposes.

If the donor's spouse elects to "split" gifts on a United States Gift Tax Return Form 709 and also makes the five-year election, Contributions of up to \$150,000 in 2021 (increasing to \$160,000 in 2022) may be treated as annual exclusion gifts spread over a five-year period.

#### **What Are the Tax Consequences of Withdrawals?**

Each withdrawal from an Account has two portions, an Earnings Portion and a Contributions Portion. Depending upon the circumstances, a withdrawal may not be subject to any income tax or may be subject to one or more of the following taxes: (1) federal income tax on the Earnings Portion; (2) Illinois income tax on the Earnings Portion in the case of an Illinois taxpayer; (3) federal penalty tax on the Earnings Portion; and (4) Illinois income tax on all or part of the Contributions Portion if an Illinois state income tax deduction was previously claimed on Contributions to the Account.

#### **How Is the Earnings Portion of a Withdrawal Calculated for Purposes of IRS Form 1099-Q?**

For purposes of the IRS Form 1099-Q, if there are earnings in an Account, each withdrawal 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 withdrawal of the Earnings Portion and the Contributions Portion of the distribution. For any year in which there is a withdrawal from an Account, the Program Manager will provide a Form 1099-Q identifying the Earnings Portion and the Contributions Portion of the withdrawal.

According to the Joint Committee on Taxation Summary of the Protecting Americans from Tax Hikes Act of 2015, each Account in an Illinois Section 529 Program established under the Pool is treated separately in making this calculation.

Although the Program Manager will report the Earnings Portion of a withdrawal to the IRS, it is solely the responsibility of the person receiving the withdrawal to calculate and report any resulting tax liability.

#### **When Is the Earnings Portion of a Withdrawal Subject to Income Tax?**

If a Federal Qualified Withdrawal is made from an Account, the Earnings Portion of the distribution is not includible in the gross income of either the Beneficiary or the Account Owner.

If a withdrawal is not a Federal Qualified Withdrawal, it is a Federal Nonqualified Withdrawal. The Earnings Portion of a Federal Nonqualified Withdrawal is includible in the recipient's income for federal income tax purposes. For Illinois taxpayers, the amount included for federal income tax purposes would also be included for Illinois income tax purposes.

The Earnings Portion of a Federal Nonqualified Withdrawal will be ordinary income to the recipient; no part of such Earnings Portion will be treated as capital gain. As of the date of this Program Disclosure Statement, the tax rates on ordinary income are generally greater than the tax rates on capital gain.

#### **What Constitutes a Federal Qualified Withdrawal?**

A Federal Qualified Withdrawal is a withdrawal that is used to pay the Federal Qualified Higher Education Expenses of the Beneficiary. Federal Qualified Higher Education Expenses under Section 529 of the Code include:

- tuition, fees, books, supplies, and equipment required for enrollment or attendance of a 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 is not more than the greater of the following two amounts:
  - a) The allowance for room and board, as determined by the Institution of Higher Education, 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 Institution of Higher Education;
- expenses for special needs services incurred in connection with a special needs Beneficiary's enrollment or attendance at an Institution of Higher Education;
- expenses for the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education. This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature;

- expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program;
- amounts paid as principal or interest on any Qualified Education Loan of the Beneficiary or a Sibling of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes); and
- expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. The amount of cash distributions for such expenses from all 529 qualified tuition programs with respect to a Beneficiary shall, in the aggregate, not exceed \$10,000 during the taxable year.

#### **When Are Withdrawals Considered to Be Used for Federal Qualified Higher Education Expenses?**

Withdrawals are considered to be used for Federal Qualified Higher Education Expenses if the total of all qualified tuition program withdrawals for the tax year is less than or equal to adjusted Federal Qualified Higher Education Expenses. Adjusted Federal Qualified Higher Education Expenses is the total Federal 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.

#### **When Is the Federal Penalty Tax Imposed on the Earnings Portion of a Withdrawal?**

With certain exceptions, a 10% federal penalty tax is imposed on the Earnings Portion of a Federal Nonqualified Withdrawal. A Federal Nonqualified Withdrawal, however, is not subject to the 10% federal penalty tax if it is:

1. Paid to a Beneficiary (or to the estate of the Beneficiary) on or after the death of the Beneficiary;
2. Made because the 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 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. This exception applies only to the extent the distribution is not more than the scholarship, allowance or payment;
4. Made on account of the attendance of the 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 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; or

5. Included in income only because the Federal Qualified Higher Education Expenses were taken into account in determining the American opportunity tax credit or lifetime learning credit.

#### **When Is the Contributions Portion of a Withdrawal Subject to Tax?**

Illinois law provides for the recapture of Illinois state tax benefits in the event of an Illinois Nonqualified Withdrawal from the Account. In the event of an Illinois Nonqualified Withdrawal, the federal adjusted gross income of an Illinois taxpayer who took an Illinois income tax deduction for a Contribution to the Account will be increased by an amount equal to the Contribution Portion of such Illinois Nonqualified Withdrawal that was previously deducted from federal adjusted gross income on the taxpayer's Illinois tax return. Note that if the Illinois tax rate at the time of the Illinois Nonqualified Withdrawal exceeds the tax rate at the time of the original Contribution, the additional tax may exceed the amount of tax saved by the deduction.

A Federal Nonqualified Withdrawal will generally also be an Illinois Nonqualified Withdrawal. Thus in addition to including the Earnings Portion of a Federal Nonqualified Withdrawal in income, a portion of the Contributions Portion will be included in income to offset the Illinois income tax deduction previously taken.

Certain distributions or transfers that are Federal Qualified Withdrawals for federal tax purposes, however, may be Illinois Nonqualified Withdrawals, including the following:

- Rollovers to out-of-state 529 programs;
- Rollovers to out-of-state ABLE Accounts; and
- Distributions for tuition at elementary or secondary public, private or religious schools.

In addition, certain Federal Nonqualified Withdrawals that are exempt from the 10% federal penalty tax may also be Illinois Nonqualified Withdrawals, including the following:

- Distributions to the extent of the amount of certain scholarships or other allowances or payments received by the Beneficiary;
- Distributions made on account of the attendance of the Beneficiary at a U.S. military academy; and
- Distributions because the qualified education expenses were taken into account in determining the American opportunity tax credit or lifetime learning credit.

As of the date of this Program Disclosure Statement, Illinois law does not add back the Earnings Portion of an Illinois Nonqualified Withdrawal to determine Illinois base income. Rather, Illinois law only adds to federal adjusted gross income the portion of the Contributions Portion related to any prior Illinois income tax deduction. As noted above, Illinois may change its law at any time.

#### **Example**

When Child was born in 2018, Parent opened an Account, contributed \$10,000 per year for 5 years and claimed an Illinois income tax deduction for those contributions. Years later the Account has grown to \$75,000 and Parent makes a \$10,000 withdrawal to pay tuition for private elementary school. The Contributions Portion is \$50,000 and the Earnings Portion is \$25,000. This is a Federal Qualified Withdrawal and no portion of the Earnings Portion is subject to federal tax. However, a withdrawal



for elementary school tuition is an Illinois Nonqualified Withdrawal. Two-thirds of the withdrawal (the Contribution Portion) will be added back to Illinois income to “recapture” the benefit of the Illinois income tax deduction.

Before taking an Illinois Nonqualified Withdrawal from an Account, consult with your legal or tax advisors.

### **How Can I Avoid Tax Consequences in Making Investment Changes?**

Under federal law, the Program must prohibit contributors and the Beneficiary from directing the investment of any Contributions (or earnings thereon) more than two times in a calendar year. As a result, an Account Owner can change the Portfolio or Portfolios in which Contributions and any earnings on such Contributions are invested twice per calendar year, or upon a change of Beneficiary.

If an Account Owner has multiple Accounts in the Program for the same Beneficiary, or multiple Accounts in the Program and other Illinois Section 529 programs, the Account Owner may change the Portfolios in all such Accounts without tax consequences, as 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 Beneficiary.

### **What Are the Tax Consequences of Changing a Beneficiary?**

A change in the Beneficiary of an Account is not treated as a withdrawal if the new Beneficiary is a Member of the Family of the former Beneficiary. However, if the new Beneficiary is not a Member of the Family of the former Beneficiary, the change is treated as a Federal Nonqualified Withdrawal by the Account Owner. See “What Are the Tax Consequences of Withdrawals?” A change of the Beneficiary of an Account or a transfer to an Account for another Beneficiary may also have federal gift tax or GST tax consequences.

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

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

Account Owners should consult their own tax or legal advisor before making a change of Beneficiaries.

### **What Are the Tax Consequences of a Transfer to Another Illinois Section 529 Program for the Same Beneficiary?**

Accounts in the Pool are also offered and sold through the Bright Directions Advisor-Guided 529 College Savings Program. An Account Owner may transfer money from a Bright Directions Advisor-Guided 529 College Savings Program Account for a beneficiary to a Bright Start Direct-Sold College Savings Program Account for the same beneficiary, or from a Bright Start Direct-Sold College Savings Program Account for a Beneficiary to a Bright Directions Advisor-Guided College Savings Program Account for the same Beneficiary. Any such transfer constitutes a change in the investment option in which the Account is invested, which may occur only twice per calendar year, or upon a change of Beneficiary. It is not treated as a rollover for federal tax purposes.

### **What Are the Tax Consequences of a Transfer to Another Illinois Section 529 Program for a Different Beneficiary?**

An Account Owner may transfer money from a Bright Directions Advisor-Guided 529 College Savings Program Account for a beneficiary to a Bright Start Direct-Sold College Savings Program Account for a different Beneficiary, or from a Bright Start Direct-Sold College Savings Program Account for a Beneficiary to a Bright Directions Advisor-Guided College Savings Program Account for a different beneficiary. Any such transfer constitutes a change of beneficiary, the tax consequences of which are described above. See “What Are the Tax Consequences of Changing a Beneficiary?” Any such transfer is not treated as a rollover for federal tax purposes.

### **What Are the Tax Consequences of Rollovers?**

The term “rollover” includes the following transfers:

- A transfer from an out-of-state 529 qualified tuition program account to an Account under the Program;
- A transfer from an Account to an out-of-state 529 qualified tuition program account for the same or a different beneficiary;
- A transfer from an Account to an ABLE account for the same beneficiary.

Transfers between the Program and the Bright Directions Advisor-Guided 529 College Savings Program for the same beneficiary are not treated as rollovers but rather as investment changes. Transfers between the Program and the Bright Directions Advisor-Guided 529 College Savings Program for a different beneficiary are not treated as rollovers but rather as changes of beneficiaries.

Each rollover from an Account has two portions, an Earnings Portion and a Contributions Portion. Depending upon the circumstances, a rollover may not be subject to any income taxes or may be subject to one or more of the following income taxes: (1) federal income tax on the Earnings Portion; (2) Illinois income tax on the Earnings Portion; (3) federal penalty tax on the Earnings Portion; and (4) Illinois income tax on all or part of the Contributions Portion if an Illinois state income tax deduction was previously claimed for Contributions to the Account. In addition, if the Beneficiary is changed there may be gift and GST tax consequences. See “What Are the Tax Consequences of Changing a Beneficiary?”

If a rollover is a Federal Qualified Rollover Distribution, then no part of the Earnings Portion of the rollover is includible in the gross income of the Account Owner or Beneficiary. If the rollover is not a Federal Qualified Rollover Distribution, the Earnings Portion is includible in the Account Owner’s income for federal income tax purposes. For Illinois taxpayers, the amount included for federal income tax purposes would also be included for Illinois income tax purposes.



### **What Is a Federal Qualified Rollover Distribution?**

The Account Owner may direct a transfer of money from the Account to an account in another 529 qualified tuition program for the same or another beneficiary. Alternatively, the Account Owner may make a withdrawal from the Account and re-deposit the withdrawn balance within sixty (60) days into an account in another 529 qualified tuition program for the same or another beneficiary. Such a rollover will be treated as a Federal Qualified Rollover Distribution provided that if the beneficiary remains the same, it has been more than twelve (12) months since any previous rollover for that beneficiary. If the beneficiary changes, the transfer will be treated as a Federal Qualified Rollover Distribution only if the new beneficiary is a Member of the Family of the former beneficiary.

In addition, prior to January 1, 2026, a transfer of money from the Account to an ABE account for the Beneficiary or a Member of the Family of the Beneficiary, is a Federal Qualified Rollover Distribution provided that the transfer when added to all other contributions made to the ABE account in the taxable year, does not exceed the limitation in Section 529A(b)(2)(B)(i) of the Code. That Section of the Code limits aggregate contributions to an ABE account during a tax year to the amount of the gift tax annual exclusion (for 2021 the annual exclusion is \$15,000 and will increase to \$16,000 in 2022).

### **When Is the Contributions Portion of a Rollover Subject to Income Tax?**

Illinois law provides for the recapture of Illinois state tax benefits in the event of an Illinois Nonqualified Withdrawal from the Account. In the event of an Illinois Nonqualified Withdrawal, the adjusted gross income of an Illinois taxpayer who took an Illinois income tax deduction for a Contribution to the Account will be increased by an amount equal to the Contributions Portion of such Illinois Nonqualified Withdrawal that was previously deducted from federal adjusted gross income on the taxpayer's Illinois tax return. Note that if the Illinois tax rate at the time of the Illinois Nonqualified Withdrawal exceeds the tax rate at the time of the original Contribution, the additional tax may exceed the amount of tax saved by the deduction.

A rollover that is not a Federal Qualified Rollover Distribution will be an Illinois Nonqualified Withdrawal. Certain rollovers that are Federal Qualified Rollover Distributions, however, may be Illinois Nonqualified Withdrawals, including rollovers to out-of-state 529 programs and rollovers to out-of-state ABE accounts.

### **May I Rollover an Account in an Out-of-State 529 Plan to the Program?**

You may open an Account or contribute to an existing Account in the Program by rolling over or transferring funds from another 529 qualified tuition program. Such a rollover transaction will be treated as a Federal Qualified Rollover Distribution provided it has been more than twelve (12) months since any previous rollover for that Beneficiary or if you change the Beneficiary of the Account to a Member of the Family of the former Beneficiary. The program from which you are transferring funds may impose fees or other restrictions on such a transfer, and there may be state income tax consequences of such a transfer, so you should investigate this option thoroughly before requesting a transfer. When you transfer funds from another 529 qualified tuition program, the IRS requires the Program Manager to assume that the transfer consists solely of earnings until it receives a statement from the program from which the funds were distributed identifying the Contributions and Earnings Portions of the distribution.

The Illinois Administrative Code provides that in the case of a rollover from a non-Illinois qualified tuition program, the amount of the rollover that constituted investment in the prior qualified tuition program for federal income tax purposes (but not the Earnings Portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes, subject to the deduction limits discussed above. You should consult your tax or legal advisor about the availability of such deduction.

### **May I Rollover an Account to an Out-of-State 529 Plan?**

The Account Owner may direct a transfer of money from an Account to an account in another 529 qualified tuition program for the same or another beneficiary. Alternatively, the Account Owner may make a withdrawal from the Account and re-deposit the withdrawn balance within sixty (60) days into an account in another 529 qualified tuition program for the same or another beneficiary. If the beneficiary stays the same, the transfer will be treated as a Federal Qualified Rollover Distribution as long as the transfer does not occur within twelve (12) months from the date of a previous rollover to another 529 qualified tuition program for the beneficiary. If the beneficiary changes, the transfer will be treated as a Federal Qualified Rollover Distribution only if the new beneficiary is a Member of the Family of the former beneficiary.

A rollover to an out-of-state 529 qualified tuition program will be an Illinois Nonqualified Withdrawal. Illinois law provides for the recapture of Illinois state tax benefits in the event of an Illinois Nonqualified Withdrawal by increasing the adjusted gross income of an Illinois taxpayer who previously took an Illinois state income tax deduction for Contributions made to the Program. Before rolling over an Account to an out-of-state 529 qualified tuition program, you should consult with your tax or legal advisor.

### **Are There Tax Consequences to Changing the Account Owner?**

A change of Account ownership may also have gift and/or GST tax consequences. This area of the law is uncertain at this time. Accordingly, Account Owners should consult their own tax or legal advisor for guidance when considering a change of Account ownership.

### **What Are the Tax Benefits for Employer Matching Contributions?**

For taxable years ending on or before December 31, 2024, employers that match employees' contributions to the Program, College Illinois! or the Bright Directions Advisor-Guided 529 College Savings Program, are eligible for an Illinois state tax credit. Employers receive a tax credit equal to 25% of the matching Contributions the employer makes to its employee's Account in the Program, College Illinois!, or the Bright Directions Advisor-Guided 529 College Savings Program, up to a maximum annual tax credit of \$500 per contributing employee. Employers should consult a tax advisor regarding the availability and ramifications of this credit.

### **May I Recontribute a Refunded Amount to an Account?**

In the case of a Beneficiary who receives a refund of any Federal Qualified Higher Education Expenses from an Institution of Higher Education, the amount refunded will not be subject to federal income tax to the extent it is recontributed to a 529 qualified tuition program account for the same Beneficiary, but only to the extent such recontribution is made no later than sixty (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. Consult a tax or legal advisor to determine your eligibility for this treatment.

## What Annual Tax Reporting Will I Receive?

For any year there is a withdrawal from an 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 Contributions 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 Beneficiary or made directly to the Institution of Higher Education, the Form 1099-Q will be sent to the Beneficiary. You should consult with your tax or legal advisor for the proper tax reporting and treatment of distributions.

## How Does Code Section 529 Coordinate with Other Higher Education Programs?

### *Other Higher Education Tax Credits and Deductions*

The tax benefits afforded to qualified tuition programs such as the Pool must be coordinated with other programs designed to provide tax benefits for meeting Federal Qualified Higher Education Expenses in order to avoid the duplication of such benefits. The coordinated programs include, but are not limited to, the Coverdell Education Savings Accounts under Section 530 of the Code, the Tuition and Fees Deduction, and the American opportunity tax credit or lifetime learning credit under Section 25A of the Code. IRS Publication 970 provides important additional information on coordinating these benefits.

### *Coordination with Coverdell Education Savings Account Distributions*

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 Federal Qualified Higher Education Expenses that qualify for tax-free treatment under Section 529 of the Code, the recipient must allocate his or her Federal Qualified Higher Education Expenses between both such withdrawals in order to determine how much may be treated as tax-free under each program.

### *Coordination with American Opportunity and Lifetime Learning Credits*

An American opportunity tax credit or lifetime learning credit (education credit) can be claimed in the same year the Beneficiary takes a tax-free distribution from a 529 qualified tuition program, as long as the same expenses are not used for more than one benefit. This means that after the Beneficiary reduces Federal Qualified Higher 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 Tuition and Fees Deduction*

A tuition and fees deduction can be claimed in the same year the Beneficiary takes a tax-free distribution from a 529 qualified tuition program, as long as the same expenses are not used for both benefits.

## Should I Document Federal Qualified Higher Education Expenses?

You should retain documentation of all of the Beneficiary's Federal Qualified Higher Education Expenses for your records. The Account Owner or Beneficiary is responsible for determining whether a distribution from an Account is a Federal Qualified Withdrawal, a Federal Nonqualified Withdrawal and/or an Illinois Nonqualified Withdrawal and for paying any applicable taxes or penalties.

## What Should I Consider before Investing?

**1. Depending on the laws of the home state of the Account Owner or 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 qualified tuition programs may be available only for investments in the home state's 529 qualified tuition program;**

**2. Any state-based benefit offered with respect to a particular 529 qualified tuition program should be one of many appropriately weighted factors to be considered in making an investment decision; and**

**3. You should consult with your tax or legal advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You may also wish to contact the 529 qualified tuition program in that state to learn more about the features, benefits and limitations of that state's 529 qualified tuition program.**

## DISTRIBUTIONS FROM AN ACCOUNT

### How Do I Request a Distribution From an Account?

Distribution requests may be made online, by completing a withdrawal request form, or by telephone. If the withdrawal request is in good order, the Program typically will process the withdrawal and initiate payment within three (3) business days. During periods of market volatility and at year-end, however, withdrawal requests may take up to five (5) business days to process. When requesting a withdrawal please allow 7 – 10 days for the proceeds to reach you.

Contributions made by check, recurring contribution, or electronic funds transfer will not be available for withdrawal for seven (7) business days. If you make a change to your mailing address or to your banking information, or if you add a new bank account, no withdrawals can be made for fifteen (15) days following the change, unless you have provided a medallion signature guarantee.

Although the Program Manager will report the Earnings Portion of a withdrawal to the IRS, it is solely the responsibility of the person receiving the withdrawal to calculate and report any resulting tax liability.

An Account Owner may establish telephone and internet transaction privileges for an Account through the Program's web site (BrightStart.com) or by calling 877.432.7444. The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by telephone or internet are genuine, including requiring certain personally identifiable information prior to acting on telephone or internet instructions. None of the Program Manager, the Program, the Trust, or the Treasurer will be liable for following telephone or internet instructions that the Program Manager reasonably believed to be genuine.

### What Constitutes a Federal Qualified Withdrawal?

Federal Qualified Withdrawals from your Account are generally free from federal and Illinois state income tax, but a Federal Qualified Withdrawal that is also an Illinois Nonqualified Withdrawal may trigger recapture of any Illinois income tax deduction claimed for Contributions to the Account. See "Federal and State Tax Considerations."

Federal Qualified Higher Education Expenses, as defined in Section 529 of the Code, include:

- tuition, fees, books, supplies, and equipment required for enrollment of, or attendance by, a Beneficiary at an Institution of Higher Education;
- certain room & board expenses incurred by students who are enrolled at least half-time at an Institution of Higher Education. 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 Institution of Higher Education, that was included

in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student; and

- b. The actual amount charged if the student is residing in housing owned or operated by the Institution of Higher Education. You may need to contact the Institution of Higher Education for qualified room and board costs;
- expenses for special needs services in the case of a Beneficiary with special needs that are incurred in connection with such enrollment or attendance;
- expenses for the purchase of computer or certain peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Institution of Higher Education. This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature;
- expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program;
- amounts paid as principal or interest on any Qualified Education Loan of the Beneficiary or a Sibling of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes); and
- expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. The amount of cash distributions for such expenses from all 529 qualified tuition programs with respect to a Beneficiary shall, in the aggregate, not exceed \$10,000 during the taxable year.

### **What Constitutes An Illinois Qualified Expense?**

Federal Qualified Higher Education Expenses are also Illinois Qualified Expenses EXCEPT for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private or religious school. If a withdrawal is made for such purposes it may be a Federal Qualified Withdrawal and not be included in income for federal and Illinois purposes, but if an Illinois income tax deduction was previously claimed for Contributions to the Account all or part of that deduction may be added back to income for Illinois income tax purposes.

### **Where Can a Federal Qualified Withdrawal be Distributed?**

A Federal Qualified Withdrawal may be distributed as follows:

1. To the Account Owner;
2. To the Account Owner's bank account;
3. To the Beneficiary;
4. Directly to the Institution of Higher Education; or
5. To a sibling of a Beneficiary to the extent it will be used to repay a Qualified Education Loan, subject to the limits of Section 529.

When taking withdrawals you should consult with your tax or legal advisor.

### **Should I Document Federal Qualified Higher Education Expenses?**

You should retain documentation of all of the Beneficiary's Federal Qualified Higher Education Expenses for your records. The Account Owner or Beneficiary is responsible for determining whether a distribution from an Account is a Federal Qualified Withdrawal,

a Federal Nonqualified Withdrawal, or an Illinois Nonqualified Withdrawal and for paying any applicable taxes or penalties.

### **Can I Recontribute Refunded Amounts?**

In the case of a Beneficiary who receives a refund of any Federal 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 Beneficiary, but only to the extent such recontribution is made no later than sixty (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. You should consult your legal and tax advisor to determine your eligibility for this treatment.

### **When Must Withdrawals Begin?**

There is no 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.

### **Can I Make Withdrawals for Other Purposes?**

You may withdraw money from your Account at any time. However, to the extent that the withdrawal is a Federal Nonqualified Withdrawal, any Earnings Portion of such Federal Nonqualified Withdrawal will be includible in your income for federal income tax purposes, and the part so includible will generally also be subject to a 10% federal penalty tax. Certain exceptions to the imposition of the penalty tax apply. In addition, to the extent that the withdrawal is an Illinois Nonqualified Withdrawal, there may be recapture of any Illinois state income tax deductions previously claimed for Contributions to the Account. See "Federal and State Tax Considerations."

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

### **May I Roll Over My Account?**

You may direct a transfer of money from your Account to an account in another 529 qualified tuition program for the same or another Beneficiary. Alternatively, you may make a withdrawal from your Account and re-deposit the withdrawn balance within sixty (60) days into an account in another 529 qualified tuition program for the same or another Beneficiary. If the Beneficiary stays the same, the transfer will be treated as an income tax-free Federal Qualified Rollover Distribution as long as the transfer does not occur within twelve (12) months from the date of a previous rollover to another 529 qualified tuition program for the Beneficiary. If you change beneficiaries, the transfer will be treated as a Federal Qualified Rollover Distribution only if the new Beneficiary is a Member of the Family of the former Beneficiary.

A rollover to an out-of-state qualified tuition program will be treated as an Illinois Nonqualified Withdrawal. See "Federal and State Tax Considerations." Before rolling over your Account to an out-of-state 529 qualified tuition program, you should consult with your legal and tax advisors.

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

If the Beneficiary of an Account does not incur Federal Qualified High Education Expenses, you may withdraw the Account balance or change the Beneficiary of the Account. To the extent that you



make a Federal Nonqualified Withdrawal from the Account, any Earnings Portion of such Federal Nonqualified Withdrawal will be includible in your income for federal income tax purposes and will be subject to a 10% federal penalty tax. In addition, Illinois law provides for the recapture of Illinois state tax benefits in the event an Account Owner takes an Illinois Nonqualified Withdrawal from an Account, other than on account of the death or disability of the Beneficiary. A change of the Beneficiary of the Account will not result in any income tax consequences so long as the new Beneficiary is a Member of the Family of the former Beneficiary. For more information, see "Federal and State Tax Considerations."

### **How Do I Close an Account?**

To withdraw all of the funds and close your Account, complete and submit the Withdrawal Request Form. The Program does not charge any surrender or other withdrawal fees. However, if you have made a Contribution by check, EFT, or AIP, you may not be able to withdraw funds in your Account until the check through which you made your Contributions clears and the Program has collected the funds.

### **OTHER IMPORTANT WITHDRAWAL CONSIDERATIONS**

The tax benefits afforded to 529 Plans must be coordinated with other programs designed to provide tax benefits for meeting Federal Qualified Higher Education Expenses in order to avoid the duplication of such benefits. See "Federal and State Tax Considerations." You should consult with a tax or legal advisor with respect to the various education benefits.

### **LIMITATIONS AND PENALTIES**

#### **Are There Limits on Investment Changes?**

Under federal law, the Program must prohibit contributors and the Beneficiary from directing the investment of any Contributions (or earnings thereon) more than two times in a calendar year. As a result, an Account Owner can change the Portfolio or Portfolios in which Contributions and any earnings on such Contributions are invested twice per calendar year, or upon a change of Beneficiary.

If an Account Owner has multiple Accounts in the Program for the same Beneficiary, or multiple Accounts in the Program and other Illinois Section 529 programs, the Account Owner may change the Portfolios in all such Accounts without tax consequences, as 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 Beneficiary.

#### **Can I Transfer My Account to Other Illinois Section 529 Programs?**

Accounts in the Pool are also offered and sold through the Bright Directions Advisor-Guided 529 College Savings Program. You may transfer money from the Bright Directions Advisor-Guided 529 College Savings Program to your Bright Start Direct-Sold College Savings Program Account or from your Account to the Bright Directions Advisor-Guided 529 College Savings Program without the imposition of any penalties. However, any such transfer constitutes a change in the investment option in which your Account is invested and therefore may occur only twice per calendar year, or upon a change of Beneficiary.

#### **Are There Limitations on Transfers Out of the Program?**

The Program does not charge a surrender fee, a contingent deferred sales charge, or any other fee to transfer out of the Program. You may roll over your Account to another 529 qualified tuition program

without potentially adverse federal income tax consequences only if the rollover does not occur within twelve (12) months from the date of a previous rollover for the Beneficiary, or upon a change of Beneficiary. Such a rollover, however, may be an Illinois Nonqualified Withdrawal. See "Federal and State Tax Considerations."

#### **Are There Penalties on Withdrawals From the Program?**

The Program does not charge a withdrawal fee. If an Account Owner withdraws funds as a Federal Nonqualified Withdrawal, the Earnings Portion of the withdrawal will be includible in their federal gross income and subject to a 10% federal penalty tax.

Illinois law provides for the recapture of Illinois state tax benefits in the event an Account Owner takes an Illinois Nonqualified Withdrawal from an Account. See "Federal and State Tax Considerations". You should consult with your tax advisor in such circumstances.

### **OTHER INFORMATION**

#### **How Will Investment in the Program Affect My Beneficiary's Chances of Receiving Financial Aid?**

The eligibility of the Beneficiary for financial aid may depend on the circumstances of the Beneficiary's family at the time the 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 Beneficiary and/or the 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 Beneficiary applies, will treat your Account.

#### **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. Generally, your Account will be protected if the Beneficiary is your child, stepchild, grandchild, or stepgrandchild (including a child, stepchild, grandchild, or stepgrandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 accounts for the same Beneficiary at least 720 days before a federal bankruptcy filing are completely protected;
- Contributions made to all Section 529 accounts for the same Beneficiary more than 365 days, but less than 720 days before a federal bankruptcy filing are protected up to \$6,825; and
- Contributions made to all Section 529 accounts for the same 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 Illinois Law Protect Accounts From Creditors?**

Under certain circumstances, money held in an Account in the Program is exempt from the claims of the creditors of an Account Owner, contributor, or Beneficiary.



Illinois law protects your Account from all claims of creditors of the Beneficiary, the Account Owner, or the contributor, subject to the following limits:

- Contributions made with an actual intent to hinder, delay, or defraud a creditor are not protected;
- Contributions made during the 365-day period prior to filing a bankruptcy petition are protected, for each Beneficiary, only up to the amount of the annual federal gift tax exclusion (for 2021 the annual exclusion is \$15,000 and will increase to \$16,000 in 2022); and
- Contributions made during the period beginning 730 days and ending 366 days prior to filing a bankruptcy petition are protected, for each beneficiary, only up to the amount of the annual federal gift tax exclusion (for 2021 the annual exclusion is \$15,000 and will increase to \$16,000 in 2022).

Thus, assuming that no Contributions were made with an actual intent to hinder, delay, or defraud a creditor, all amounts contributed more than 730 days prior to filing the bankruptcy petition are protected, and amounts contributed within 730 days of filing the bankruptcy petition are currently protected up to either \$15,000 or \$30,000 in 2021 (increasing to \$16,000 or \$32,000 effective January 1, 2022), per Beneficiary, depending upon the timing of the Contributions.

None of the Program, the Treasurer, the Trustee, the Trust, or the Program Manager make any representations or warranties regarding protection from creditors. You should consult your legal advisor regarding this law and your circumstances.

#### **What Kind of Statements Will I Receive?**

The Program Manager will maintain separate records for your Account and will provide quarterly statements to you showing:

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

Carefully review all confirmations and account statements to verify the accuracy of the transactions. Any discrepancies must be reported to the Program within sixty (60) days of the date of the confirmation or statement. 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 for mailing purposes combine Account statements that have the same Account Owner and mailing address. The Program Manager will send one copy of the Program Disclosure Statement and other Program communications to Account Owners at each respective household address. The Program 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 **BrightStart.com**. You will need to create an online user name and password.

Information including prospectuses and other disclosures of all fees and expenses associated with the mutual funds, separately managed accounts, and other investments made by the Program is available at **BrightStart.com**.

#### **Is the Program Audited?**

Each year an independent public accountant selected by the Program Manager will audit the Program. The auditors will examine financial statements for the Program and provide other audit, tax, and related services. The Treasurer and the Illinois Auditor General may also conduct audits of the Program and the Pool. The Program Manager has engaged Hayes & Associates, L.L.C., Omaha, Nebraska, to perform the annual audit of the Program's financial statements.

#### **Where Can I Obtain Additional Information?**

To obtain answers to your questions or request an Enrollment Form, please visit **BrightStart.com**, call 877.432.7444 or write to Bright Start Direct-Sold, P.O. Box 85298, Lincoln, NE 68501.

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 Treasurer, on behalf of the Program, has entered into a continuing disclosure agreement for the benefit of the Account Owners. Under the continuing disclosure agreement, the Treasurer, on the Program's behalf as permitted by law, will in compliance with the Rule provide the Program'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 Program. The Program's audited financial statements for the fiscal year ended June 30, 2021 have been posted with the Municipal Securities Rulemaking Board.

#### **CERTAIN RISKS TO CONSIDER**

**Opening an Account involves certain risks. Among other things discussed in this Program Disclosure Statement, you should carefully consider the following risks before completing an Enrollment Form. You also should read this Program Disclosure Statement, including the Exhibits, carefully before making a decision to open an Account.**

#### **INVESTMENT RISKS**

##### **The Trust is an Investment Vehicle**

Accounts in the Program are subject to certain risks. In addition, certain Portfolios carry more and/or different risks than others. You should weigh these risks with the understanding that they could arise at any time during the life of your Account. For a discussion of the investment risks related to each Portfolio and its Underlying Investments, please see Exhibit B – Investment Portfolios and Underlying Investments.

##### **The Value of Your Account May Decline**

As is the case with virtually all investment programs, there can be no assurance that the value of your Account will grow at any particular rate or even that the Account will not decline in value. 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 Treasurer or the Program Manager. If the value of these securities declines, you may lose some or all of the principal balance in your Account. Neither the Program, the Treasurer, the Trust, the Trustee, the State of Illinois, or its officials/employees, nor the Program Manager or any of its affiliates

guarantees any minimum rate of return on your Account or that you will not lose some or all of the principal amount invested.

### **Your Account is Not Insured or Guaranteed**

Balances in your Account are not guaranteed or insured by the State of Illinois or any instrumentality of the State of Illinois, including the Treasurer, the Program Manager or any of its affiliates, the FDIC (except as provided elsewhere in this Program Disclosure Statement solely with respect to the FDIC-insured bank deposit account Underlying Investment), or any other individual or entity.

### **Market Uncertainties**

Due to market uncertainties, the overall market value of your Account is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as regulatory or legislative changes, worldwide political uncertainties, and general economic conditions, including inflation and unemployment rates. All of these factors are beyond the control of the Program, the Treasurer, and the Program Manager. These factors may cause the value of your Account to decrease (realized or unrealized losses) regardless of the performance or any systematic investing.

### **Inflation**

Increases in the cost of living or the cost of education may reduce or eliminate the purchasing power of your Account.

### **Not a Direct Investment in Mutual Funds and Underlying Investment Risks**

Although money contributed to Accounts will be invested in Portfolios that hold mutual funds (among other types of investments), none of the Trust, the Program, or any of the Program's Portfolios is itself a mutual fund, and an investment in the Program 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 Investments. However, the settlement date for the Portfolio's purchase of shares of an Underlying Investment 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 Investment is going up or down in value, this timing difference will likely cause the Portfolio's performance either to trail or exceed the Underlying Investment's performance. An investment in the Program is an investment in municipal fund securities that are issued and offered by the Trust. These securities are not registered with the U.S. Securities and Exchange Commission ("SEC") or any state, nor are the Trust, the Trustee, the Program, the Treasurer, or the Portfolios registered as investment companies with the SEC.

The Portfolios invest in Underlying Investments so the Portfolio's investment performance and risks are directly related to the performance and risks of the Underlying Investments. The Accounts will indirectly bear the expenses charged by the Underlying Investments.

### **Each Portfolio Has Risks**

Each of the Portfolios is subject to certain risks that may affect Portfolio performance. Set forth below is a list of major risks applicable to the Portfolios. See "Exhibit B - Investment Portfolios and Underlying Investments" and the respective prospectuses of the underlying mutual funds and other investments for a description of the risks associated with the Underlying Investments in which the Portfolios invest.

**Each Portfolio is invested in mutual funds or separate accounts. Therefore, you should obtain each fund's prospectus and summary prospectus which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Prospectuses are available for free on the Internet at each respective mutual fund's website.**

- **Market risk.** Securities prices change every business day, based on investor reactions to economic, political, market, industry, and corporate 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.** A rise in market interest rates typically causes bond prices to decline. Bonds with longer maturities and lower credit quality than other fixed income securities tend to be more sensitive to changes in interest rates. Bonds that can be paid off before maturity, such as mortgage-backed securities, tend to be more volatile than other types of debt securities. 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: when short-term interest rates fall, money market yields usually fall as well.
- **Foreign investment risk.** 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. 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.** There are certain investment risks in using derivatives such as futures contracts, options on futures, interest rate swaps and structured notes, as a hedging technique. 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 leveraged so that small changes may produce disproportionate losses for the Underlying Investment, and 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 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.
- **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 of a bond or money market security could fall if its credit backing deteriorates or if the issuer encounters financial difficulties. In more extreme cases, default or the threat of default could cause a security to lose most or all of its value. Generally, credit risks are greater with respect to high-yield bonds than they are with respect to investment-grade bonds.

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

The Individual Fund Portfolios are designed to invest in a single Underlying Investment. Individual Fund Portfolios, by design, are not as diverse as the Age-Based and Target Portfolios which are invested in a number of different Underlying Investments. Since each Individual Fund Portfolio is invested in one Underlying Investment, the performance of the Individual Fund Portfolio is dependent on the performance of the Underlying Investment. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than the Age-Based and Target Portfolios.

### **Suitability of Program for Account Owner**

An investment in the Program will not be an appropriate investment for all investors. Some Portfolios entail more risk than other Portfolios and may not be suitable for all Account Owners, or for the entire balance of the Account. This is particularly true for Individual Fund Portfolios which are invested in a single Underlying Investment. No Individual Fund Portfolio should be considered a complete investment program, but should be a part of an Account Owner's overall investment strategy designed in light of an Account Owner's particular needs and circumstances, as well as an Account Owner's determination (after consulting with his or her advisors and consultants) of the Account Owner's own risk

tolerance, including the ability to withstand losses.

You should evaluate the Program, the investment option you select, and the Portfolios in the context of your overall financial situation, investment goals, tax status, other resources and needs (such as liquidity) and other investments, including other college savings strategies. While there is no guarantee that the Program is or will be an appropriate investment for anyone, in particular, if you consider yourself an especially aggressive or conservative investor, you may want to save for higher education by making investments in addition to, or other than, through the Program to seek to achieve the investment result that is appropriate for you. Because neither the Program, the Trust, the Trustee, the Treasurer, the State of Illinois, nor the Program Manager are providing you any recommendations on any investments in the Program, you are urged to consult a financial advisor if you are unsure whether or how much to invest in the Program or which Portfolios are suitable for you.

## **PROGRAM RISKS**

### **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 Pool but do not provide guidance on all aspects of the Pool. 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 Pool 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 Pool for the anticipated tax consequences to apply. Furthermore, the Pool has been established pursuant to Illinois law, the guidelines and procedures adopted by the Illinois State Treasurer, and applicable securities laws. Changes to any of those laws or regulations may also affect the operation and tax treatment of the Pool, as described in this Program Disclosure Statement.

### **Limitation on Investment Selection**

The Account Owner may only change the investment selection for an Account twice per calendar year, or upon a change in Beneficiary. If an Account Owner has multiple Accounts in the Program for the same Beneficiary, or multiple Accounts in the Program and other Illinois Section 529 programs, the Account Owner may change the Portfolios in all such Accounts without tax consequences, as 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 Beneficiary.

### **Limitations on Contributions to Accounts**

The Program has established a limit on the aggregate balance that can be held in any Account(s) established on behalf of a particular Beneficiary. However, even if the aggregate value of all Accounts established for a Beneficiary under the Program equals the Maximum Account Balance limit, such Account balance may not be sufficient to fund all of the Federal Qualified Higher Education Expenses of such Beneficiary.



### **Potential Changes in Program Manager**

The initial term of the Program Management Agreement ends in July 2024. The Program Management Agreement is subject to a three-year extension if the Program Manager meets certain performance standards. The Treasurer has the right to terminate the Program Management Agreement earlier under certain circumstances, including the material breach of the Program Management Agreement.

If the term of the Program Management Agreement expires, or the Program Management Agreement is terminated under other circumstances, the Program Manager may continue to provide services under the Program Management Agreement with respect to Accounts in existence as of the last day of the term. Upon the expiration or termination of the Program Management Agreement, Accounts may be transferred to a successor program manager. In either case, the fee or compensation structure may be higher than the fee originally paid under the Program Management Agreement and, in the case of a successor program manager, such program manager may recommend different investments for the portfolios or achieve performance results that are different than those achieved by the Program Manager.

### **Illiquidity of Account**

Funds in your Account will be subject to the terms and conditions of the Program and the Participation 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 Program be used as security for a loan.

### **Acceptance to an Institution of Higher Education Is Not Guaranteed**

There is no guarantee that a Beneficiary will be admitted to, or permitted to continue to attend, any college, other Institution of Higher Education or Apprenticeship Program. If the Beneficiary does not attend an Institution of Higher Education, withdrawals from your Account may be subject to taxes and penalties.

### **Portfolio Performance May Not Keep Pace with Education Expense Inflation**

No assurance can be given that any Portfolio will earn any investment return. In addition, the level of future inflation in Federal Qualified Higher Education Expenses is uncertain and could exceed the rate of investment return earned by any or all of the Portfolios.

### **Program Contributions Do Not Create Illinois Residency**

Contributions to the Program do not create Illinois residency status for you or a Beneficiary for purposes of determining the rate of tuition charged by an Illinois educational institution.

### **Impact on the Beneficiary's Ability to Receive Financial Aid**

The eligibility of the Beneficiary for financial aid may depend on the circumstances of the Beneficiary's family at the time the 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 Beneficiary and/or the Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the Beneficiary and the Beneficiary's family, it most likely will have some effect on the 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 Beneficiary applies, will treat your Account.

### **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.

### **No Guarantees With Respect to Institution of Higher Education**

Participation in the Program does not guarantee that any Beneficiary: (i) will be accepted as a student by any 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 financial aid purposes; (iv) will graduate from any Institution of Higher Education; or (v) will achieve any particular treatment under applicable state or federal financial aid programs.

### **No Recommendation by Program Manager, the State of Illinois or the Trust**

Neither the Program Manager nor the State of Illinois nor the Trust, the Trustee, or the Treasurer, is recommending any specific Portfolio for any particular Account Owner. The determinations of whether to invest, how much to invest and in which Portfolios, is solely the decision of the Account Owner. An Account Owner should seek the advice of his or her advisor in choosing to invest in the Program and in selecting any specific Portfolio.

### **Education Savings Alternatives**

A number of other qualified tuition programs and other education savings and investment programs are currently available to prospective Account Owners. These programs may offer benefits, including state tax benefits, other investment options, and investment control (in programs other than qualified tuition programs), to some or all Account Owners or Beneficiaries that are not available under the terms of the Program. For example, an Account Owner's state of residence may offer a qualified tuition program similar to the Program that offers state tax deductions or other benefits not available from participation in the Program. In addition, federal tax law may be changed to create new education savings alternatives with more favorable federal tax consequences than those available through the Program. These programs may also involve fees and expenses that are lower than the fees and expenses under the Program. Accordingly, prospective Account Owners should consider these other investment alternatives, including any qualified tuition program offered by Account Owner's state of residence, before establishing an Account and participating in the Program.

### **The Investment Portfolios Not Designed for K-12 Tuition**

We have not designed the Investment Portfolios we offer through the Program to assist you in reaching your K-12 Tuition savings goals. Specifically, the Age-Based Portfolios are designed for Account Owners seeking to automatically invest in progressively more conservative investments as their Beneficiary approaches college age. The Age-Based Portfolios time horizons and withdrawal periods may not match those needed to meet your K-12 Tuition savings goals, which may be significantly shorter. In addition, if you are saving for K-12 Tuition and wish to invest in the Target Portfolios, please note that we have not structured these Portfolios to



automatically invest in progressively more conservative investments as the Beneficiary approaches college age. This means that your assets will remain invested in your selected Target Portfolio until you direct us to move them to a different Portfolio. You should consult a tax advisor and an investment advisor about investing in the Program in light of your personal circumstances.

#### **IRS Regulations Not Final**

As of the date of this Program Disclosure Statement, the IRS has not issued final tax regulations regarding Qualified Tuition Programs. In addition, the Program has not sought, nor has it received, a private letter ruling from the IRS regarding the status of the Program under Section 529 of the Code.

#### **Securities Laws**

Shares held by the Accounts in the Program are generally considered municipal fund securities. The shares will not be registered as securities with the SEC or any state securities regulator. In addition, the Portfolios will not be registered as investment companies under the Investment Company Act of 1940. Neither the SEC nor any state securities commission has approved or disapproved the shares or passed upon the adequacy of the Program Disclosure Statement.

#### **Tax Considerations**

The federal and certain state tax consequences associated with participating in the Program can be complex. Please see Federal and State Tax Considerations beginning on page 30. You should consult a tax advisor regarding the application of tax laws to your particular circumstances.

# EXHIBIT A

## ACCOUNT PARTICIPATION AGREEMENT For The Bright Start Direct-Sold College Savings Program

Pursuant to the terms and conditions of this Participation Agreement, the Account Owner, by completing and signing an Enrollment Form, hereby requests the Bright Start Direct-Sold College Savings Program Trust to open (or in the case of a successor Account Owner, to maintain) an Account for the individual designated on the Enrollment Form as the Beneficiary (hereinafter, "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**

Capitalized terms not defined in this Participation Agreement shall have the respective meanings assigned to them in the current Program Disclosure Statement for the Program or in the Illinois Administrative Code, which is available upon request as described in the Program Disclosure Statement or online at <http://www.ilga.gov/commission/jcar/admincode/titles.html>.

The Account Owner ("you"), the Bright Start College Savings Program Trust (the "Trust") which holds the assets for the Bright Start Direct-Sold College Savings Program, the Office of the Illinois State Treasurer ("Treasurer") and Union Bank & Trust Company as the Program Manager ("Program Manager") hereby agree as follows:

#### **Section 1. Accounts and Beneficiaries.**

(a) **Opening Account.** The purpose of this Participation Agreement is to establish an Account for the Federal Qualified Higher Education Expenses of the Beneficiary named in the Enrollment Form.

(b) **Separate Accounts.** The Trust will maintain a separate Account for each Beneficiary. Each Account will be governed by a Participation Agreement and the Program's Declaration of Trust which may be obtained from the Program Manager. All assets held in your Account will be held for the exclusive benefit of you and the Beneficiary as provided by applicable law.

(c) **Naming and Changing Beneficiaries.** You will name the Beneficiary for an Account in the Enrollment Form. You can change the Beneficiary at any time, subject to federal and state law. In order to avoid certain adverse tax consequences, a new Beneficiary must be a "Member of the Family" of the replaced Beneficiary, as that term is defined under Section 529 of the Internal Revenue Code of 1986, as amended, or any other corresponding provision of future law (the "Code"). The designation of the new Beneficiary will be effective upon receipt of the appropriate form, properly completed and submitted.

(d) **Choice of Portfolio.** Money invested in an Account will be invested in the Portfolio or Portfolios designated in the Enrollment Form. The Account Owner may change the Portfolio or Portfolios in which money is invested twice every calendar year, or upon a change of the Beneficiary.

If an Account Owner has multiple Accounts in the Program for the same Beneficiary, or multiple Accounts in the Program and other Illinois Section 529 programs, the Account Owner may change the Portfolios in all such Accounts without tax consequences, as 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 Beneficiary.

#### **Section 2. Contributions.**

(a) **Contributions To Be in Cash.** All Contributions must be in cash. "Cash," for purposes of this Section 2, means only (i) checks, (ii) payroll contributions made by your employer, (iii) electronic funds transfers from your bank, (iv) an automatic investment plan, (v) Bright Start GiftED contributions, (vi) wire transfers (vii) Bright Start 529 College Savings Visa® Card "Rewards", or (viii) a rollover or transfer from another 529 qualified tuition program, Coverdell Education Savings Account, or a qualified U.S. Savings Bond.

(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 Contribution Limit.** The Treasurer will set a Maximum Account Balance for the Program. You may not make additional Contributions to any Account for a Beneficiary once the aggregate balance of all Accounts for the Beneficiary, and all accounts in other Illinois Section 529 programs for the Beneficiary, including the Bright Directions Advisor-Guided 529 College Savings Program, and College Illinois!, equals or exceeds the Maximum Account Balance. The Program will inform you of the Maximum Account Balance for each year.

**Section 3. Distribution From Accounts.** You may direct the Program Manager to distribute part or all of the money in an 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 Treasurer may designate. The Treasurer may change the withdrawal request form or modify the procedures for withdrawing money from an Account from time to time.

(b) You acknowledge the Earnings Portion of a Federal Nonqualified Withdrawal, as defined in the Program Disclosure Statement, will be included in your income for federal and state tax purposes, may be subject to a 10% federal penalty tax, and may be subject to recapture of Illinois state tax benefits. You also acknowledge that to the extent that the withdrawal is an Illinois Nonqualified Withdrawal, as defined in the Program Disclosure Statement, there may be recapture of any Illinois state income tax deduction previously claimed for Contributions to the Account.

(c) Notwithstanding any other provision of this Agreement, the Treasurer may terminate an Account upon a determination that you or the Beneficiary has provided false or misleading information to the Trust, the Trustee, the Treasurer, the Program Manager, or an Institution of Higher Education. The Treasurer will pay you the balance remaining in the Account, less any state or federal taxes to be withheld, if applicable.

(d) If you cancel your Participation Agreement for an Account, you will receive the fair market value of the Account on the date the Account is distributed.

#### **Section 4. Your Representations and Acknowledgments.**

(a) You acknowledge and agree that the creation of an Account under the Trust subjects your Account to ongoing fees as described in the Program Disclosure Statement.

(b) You have received and read the Program Disclosure Statement for the Bright Start Direct-Sold College Savings Program and have carefully reviewed all the information contained therein, including information provided by or with respect to the Trust 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 Trust, (ii) the terms and conditions of the Trust and (iii) this Agreement and to obtain such additional information necessary to verify the accuracy of any information furnished. You have had the opportunity to ask questions of a representative of the Bright Start Direct-Sold College Savings Program and you and your tax, legal, or investment advisors have received satisfactory answers to any questions asked. 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 Trust or any of its investments as disclosed in the Program Disclosure Statement.

(c) You acknowledge and agree that the value of your Account will increase or decrease based on the investment performance of the investment Portfolio or Portfolios of the Trust 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 that all underlying investment decisions will be made by the Treasurer. You understand that you may only direct the investment of contributions to the Program (or earnings thereon) no more than two times in a calendar year. You also acknowledge and agree that neither the State of Illinois, the Trust, the Trustee, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Trust makes any guarantee that you will not suffer a loss of the amount invested in any Account.

(d) You understand that as long as Union Bank & Trust Company serves as Program Manager for the Bright Start Direct-Sold College Savings Program and is performing services for the Trust, it may follow the directives of the Treasurer. When acting in such capacity, Union Bank & Trust Company will have no liability to you or any other Beneficiary of this Agreement.

(e) You acknowledge and agree that participation in the Bright Start Direct-Sold College Savings Program does not guarantee that any 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 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 Illinois, the Trust, the Trustee, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Trust makes any such representation or guarantee.

(f) 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.

(g) You acknowledge and agree that the Trust will not loan any assets to you or the Beneficiary.

(h) You agree and acknowledge that the Illinois College Savings Pool (the "Pool") was established pursuant to Section 16.5 of the State Treasurer's Act, ILCS 505/16.5 (the "Act") that the Trust was established under the Act and is administered by the Treasurer of the State of Illinois, pursuant to state law, and is intended to qualify for certain federal income tax consequences 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 Illinois, the Trust, the Trustee, the Treasurer, the Program Manager, nor any advisor or consultant retained by the Trust makes any representation that such state or federal laws will not be changed or repealed.

(i) You acknowledge that the Trust 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.

(j) If the Account Owner is a trust or other entity, then Account Owner represents and warrants that (i) the trust or other entity is duly organized, validly existing, and in good standing under the laws of its state of organization and has the power and authority to enter into this Participation Agreement, (ii) the execution, delivery, and performance of this Participation Agreement by Account Owner have been duly authorized by all necessary action on the part of Account Owner, and (iii) this Participation Agreement constitutes the legal, valid, and binding obligation of Account Owner, enforceable against Account Owner in accordance with its terms.

**Section 5. Fees and Expenses.** The Trust 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 Treasurer shall determine appropriate.

(a) **Program Management Fee.** Each Age-Based, Target, and Individual Fund Portfolio is subject to a program management fee at a current annual rate of 0.07% of the average daily net assets, which is accrued daily and reflected in the NAV of each Age-Based, Target, and Individual Fund Portfolio. The annual program management fee will be decreased or increased under certain circumstances as disclosed in the Program Disclosure Statement.

(b) **State Administrative Fee.** Except as provided in the next sentence, each Age-Based, Target, and Individual Fund Portfolio is subject to a state administrative fee at an annual rate of 0.03% of the average daily net assets, which is accrued daily and reflected in the NAV of each Age-Based, Target and Individual Fund Portfolio. The Index Age-Based, Index Target, Index Individual Fund Portfolios, Bank Savings 529 Portfolio, and the Money Market 529 Portfolio are subject to a state administrative fee at the annual rate of 0.00% of the average daily net assets. The Treasurer may, in its sole discretion, modify the state administrative fee. Account owners will be notified of any change in the state administrative fee.

(c) **Investment Management Fees.** You agree and acknowledge that each of the underlying mutual funds, separately managed accounts, or other investments held indirectly in your Account will also have investment management fees and other expenses, which have been disclosed to you.

(d) **Change in Fees.** You acknowledge and agree that the charges described above may be increased or decreased as the Treasurer shall determine to be appropriate.

**Section 6. Necessity of Qualification.** The Pool 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 Treasurer may amend this Participation Agreement upon a determination that such an amendment is required to maintain such qualification.

**Section 7. Audit.** The Program Manager shall cause the Trust and its assets to be audited at least annually by a certified public accountant. A copy of the audited financial statements can be obtained by calling the Program Manager at 877.432.7444, going to **BrightStart.com**, or by visiting **IllinoisTreasurer.gov**.

**Section 8. Reporting.** The Program, through the Program Manager, will provide quarterly reports of Account activity and the value of each Account. Account information can also be obtained via the Program's website at **BrightStart.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 Participation Agreement and the Enrollment Form. You agree to indemnify and to hold harmless the Trust, the Treasurer, the Program Manager and its affiliates and any representatives of the Trust 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 Trust or this Participation Agreement shall constitute an agreement or representation by the Treasurer or anyone else that the Trust will continue in existence. At any time, the Treasurer may amend the Declaration of Trust, if any, and this Participation Agreement or suspend or terminate the Trust by giving written notice of such action to the Account Owner, so long as, after the action, the assets in your Accounts are still held for the exclusive benefit of you and your Beneficiary.

**Section 11. Governing Law.** This Agreement shall be governed and interpreted in accordance with the laws of the State of Illinois. Except as set forth in section 12 below, all parties agree that exclusive venue and jurisdiction for any legal proceedings related to this Participation Agreement or the Bright Start Direct-Sold College Savings Program shall be in the State of Illinois. Any action by you against the Treasurer or the State of Illinois can only be brought in the Illinois Court of Claims.

**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 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 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 Beneficiary and any successor 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.

(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 Participation Agreement, this Arbitration Provision, the Program, the Pool or the Trust; or (B) any related advertising, promotion, disclosure or notice. This includes a dispute about whether this Arbitration Provision or this Participation 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 Participation 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](http://www.jamsadr.org); the American Arbitration Association (the "AAA"), 1633 Broadway, 10th Floor, New York, NY 10019, [www.adr.org](http://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 Participation 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 12(j), 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 Trust; 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 modified by written amendment to this Agreement expressly approved by the Program Manager and the Treasurer.

**(k) 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, Bright Start Direct-Sold College Savings Program, 3560 South 48th Street, Lincoln, Nebraska 68506. 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.

**Section 13. Other Matters Relating to Claims by Participant.**

**(a) 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.

**(b) No Recourse.** For any obligation or liability arising pursuant to this Participation Agreement, no recourse may be had for such obligation or liability of the Treasurer or any employee or official of the Treasurer or the State of Illinois in his or her personal or individual capacity. You hereby waive all such obligations and liabilities of the Treasurer and any such employee or official.

**(c) Sovereign Immunity.** You acknowledge that the Treasurer and the State of Illinois reserve all immunities, defenses, rights or actions arising out of their status as a sovereign state or entity, including those under the Eleventh Amendment to the United States Constitution, and that no waiver of any such immunities, defenses, rights, or actions will be implied or otherwise deemed to exist as a result of this Participation Agreement.

## EXHIBIT B – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS

The following table shows the target investment allocations for the Index Strategy Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds and separately managed accounts in which the Portfolios invest, including the underlying mutual funds and separately managed accounts in which the Individual Fund Portfolios invest.

**Index Strategy Age-Based & Target Portfolios - Asset Allocations**

| Age-Based Portfolios  |                                     | Age of beneficiary |               |               |               |               |               |               |               |               |               |               |               |
|---|-------------------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Target Portfolios   | Index Aggressive Age-Based Option   | 0 - 2              | 3 - 5         | 6 - 8         | 9 - 10        | 11 - 12       | 13 - 14       | 15 - 16       | 17 - 18       | 19 plus       |               |               |               |
|   | Index Moderate Age-Based Option     |                    | 0 - 2         | 3 - 5         | 6 - 8         | 9 - 10        | 11 - 12       | 13 - 14       | 15 - 16       | 17 - 18       | 19 plus       |               |               |
|   | Index Conservative Age-Based Option |                    |               | 0 - 2         | 3 - 5         | 6 - 8         | 9 - 10        | 11 - 12       | 13 - 14       | 15 - 16       | 17 - 18       | 19 plus       |               |
|   |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
|   |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| Underlying Mutual Funds                                       |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| FDIC Insured Bank Account                                     |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| Vanguard Federal Money Market Fund                            |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| Vanguard Short-Term Bond Index Fund                           |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| Vanguard Short-Term Inflation-Protected Securities Index Fund |                                     |                    | 3.0%          | 3.0%          |               |               |               |               |               |               |               |               |               |
| Vanguard Total Bond Market Index Fund                         |                                     |                    | 5.0%          | 12.0%         |               |               |               |               |               |               |               |               |               |
| Vanguard Total International Bond Index Fund                  |                                     |                    | 1.0%          | 2.0%          |               |               |               |               |               |               |               |               |               |
| Vanguard High-Yield Corporate Fund                            |                                     |                    | 1.0%          | 3.0%          |               |               |               |               |               |               |               |               |               |
| Vanguard Total Stock Market Index Fund                        |                                     | 57.0%              | 52.0%         | 48.0%         |               |               |               |               |               |               |               |               |               |
| Vanguard Real Estate Index Fund                               |                                     | 7.0%               | 6.0%          | 5.0%          |               |               |               |               |               |               |               |               |               |
| Vanguard Total International Stock Index Fund                 |                                     | 36.0%              | 32.0%         | 27.0%         |               |               |               |               |               |               |               |               |               |
|   |                                     |                    |               |               |               |               |               |               |               |               |               |               |               |
| <b>TOTAL</b>  |                                     | <b>100.0%</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

## EXHIBIT B – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS

The following table shows the target investment allocations for the Multi-Firm Strategy Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds and separately managed accounts in which the Portfolios invest, including the underlying mutual funds and separately managed accounts in which the Individual Fund Portfolios invest.

### Multi-Firm Strategy Age-Based & Target Portfolios - Asset Allocations

| Age-Based Portfolios  |                  | Age of beneficiary |               |               |               |                    |               |               |               |               |               |               |                        |
|---|------------------|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|
| Aggressive Age-Based Option                                   | 0 - 2            | 3 - 5              | 6 - 8         | 9 - 10        | 11 - 12       | 13 - 14            | 15 - 16       | 17 - 18       | 19 plus       | 17 - 18       | 15 - 16       | 13 - 14       | 11 - 12                |
| Moderate Age-Based Option                                     |                  | 0 - 2              | 3 - 5         | 6 - 8         | 9 - 10        | 11 - 12            | 13 - 14       | 15 - 16       | 17 - 18       | 19 plus       | 17 - 18       | 15 - 16       | 13 - 14                |
| Conservative Age-Based Option                                 |                  |                    | 0 - 2         | 3 - 5         | 6 - 8         | 9 - 10             | 11 - 12       | 13 - 14       | 15 - 16       | 17 - 18       | 19 plus       | 17 - 18       | 15 - 16                |
| Target Portfolios   | Equity Portfolio |                    |               |               |               | Balanced Portfolio |               |               |               |               |               |               | Fixed Income Portfolio |
| Underlying Mutual Funds                                       |                  |                    |               |               |               |                    |               |               |               |               |               |               |                        |
| FDIC Insured Bank Account                                     |                  |                    |               |               |               |                    |               |               |               |               |               | 4.0%          | 11.5%                  |
| Vanguard Federal Money Market Fund                            |                  |                    |               |               |               |                    |               |               |               |               |               | 4.0%          | 11.5%                  |
| Vanguard Short-Term Bond Index Fund                           |                  |                    |               |               |               | 3.0%               | 7.0%          |               |               |               |               | 12.5%         | 11.0%                  |
| Baird Short-Term Bond Fund                                    |                  |                    |               |               |               | 3.0%               | 7.0%          |               |               |               |               | 12.5%         | 11.0%                  |
| Vanguard Short-Term Inflation-Protected Securities Index Fund |                  | 3.0%               | 3.0%          | 4.0%          | 4.0%          | 4.0%               | 9.0%          |               |               |               |               | 12.0%         | 14.0%                  |
| Vanguard Total Bond Market Index Fund                         |                  | 2.5%               | 6.0%          | 9.5%          | 10.5%         | 12.0%              | 12.5%         |               |               |               |               | 13.0%         | 13.0%                  |
| Dodge & Cox Income Fund                                       |                  | 2.5%               | 6.0%          | 8.5%          | 9.5%          | 11.0%              | 11.5%         |               |               |               |               | 12.0%         | 12.0%                  |
| BNY Mellon Global Fixed Income Fund                           |                  | 1.0%               | 2.0%          | 3.0%          | 4.0%          | 5.0%               | 6.0%          |               |               |               |               | 5.0%          | 3.0%                   |
| BlackRock High Yield Bond Portfolio                           |                  | 1.0%               | 2.0%          | 3.0%          | 3.5%          | 4.0%               | 4.0%          |               |               |               |               | 3.0%          | 2.0%                   |
| Nuveen Floating Rate Income Fund                              |                  |                    | 1.0%          | 2.0%          | 2.5%          | 3.0%               | 3.0%          |               |               |               |               | 2.0%          | 1.0%                   |
| Vanguard Institutional Index Fund                             | 23.0%            | 21.0%              | 19.0%         | 17.0%         | 14.0%         | 12.0%              | 10.0%         |               |               |               |               | 5.0%          | 2.0%                   |
| T. Rowe Price Large-Cap Growth Strategy                       | 11.5%            | 10.5%              | 10.0%         | 8.5%          | 7.5%          | 6.0%               | 5.0%          |               |               |               |               | 3.0%          | 1.5%                   |
| DFA U.S. Large Cap Value Portfolio                            | 11.5%            | 10.5%              | 10.0%         | 8.5%          | 7.5%          | 6.0%               | 5.0%          |               |               |               |               | 3.0%          | 2.5%                   |
| Vanguard Explorer Fund  | 5.5%             | 5.0%               | 4.5%          | 4.0%          | 3.5%          | 3.0%               | 2.5%          |               |               |               |               | 1.0%          | 1.0%                   |
| DFA U.S. Targeted Value Portfolio                             | 2.5%             | 2.0%               | 2.0%          | 1.5%          | 1.5%          | 1.5%               | 1.0%          |               |               |               |               | 1.0%          |                        |
| Ariel Fund  | 3.0%             | 3.0%               | 2.5%          | 2.5%          | 2.0%          | 1.5%               | 1.5%          |               |               |               |               |               |                        |
| DWS RREEF Global Real Estate Securities Fund                  | 7.0%             | 6.0%               | 5.0%          | 5.0%          | 4.0%          | 4.0%               | 3.0%          |               |               |               |               | 2.0%          | 1.0%                   |
| Vanguard Total International Stock Index Fund                 | 14.0%            | 12.5%              | 11.0%         | 9.0%          | 8.5%          | 7.0%               | 5.5%          |               |               |               |               | 3.0%          | 2.0%                   |
| Invesco Oppenheimer International Growth Fund                 | 6.0%             | 5.5%               | 4.5%          | 4.0%          | 3.0%          | 2.5%               | 2.0%          |               |               |               |               | 1.0%          |                        |
| Dodge & Cox International Stock Fund                          | 6.0%             | 5.5%               | 4.5%          | 4.0%          | 3.0%          | 2.5%               | 2.0%          |               |               |               |               | 1.0%          |                        |
| DFA International Small Company Portfolio                     | 3.0%             | 2.5%               | 2.0%          | 2.0%          | 1.5%          | 1.5%               | 1.0%          |               |               |               |               |               |                        |
| DFA Emerging Markets Core Equity Portfolio                    | 7.0%             | 6.0%               | 5.0%          | 4.0%          | 4.0%          | 2.5%               | 1.5%          |               |               |               |               |               |                        |
| <b>TOTAL</b>  | <b>100.0%</b>    | <b>100.0%</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>          |



## UNDERLYING INVESTMENTS 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 prior to September 30, 2021, of the underlying investment funds in which the Portfolios invest.

| Underlying Mutual Fund  | Ticker Symbol | Expense Ratio |
|---|---------------|---------------|
| Vanguard Federal Money Market Fund                            | VMFXX         | 0.11%         |
| Vanguard Short-Term Bond Index Fund                           | VBIPX         | 0.04%         |
| Baird Short-Term Bond Fund                                    | BSBIX         | 0.30%         |
| Vanguard Short-Term Inflation-Protected Securities Index Fund | VTSPX         | 0.04%         |
| Vanguard Total Bond Market Index Fund                         | VBMPX         | 0.03%         |
| Dodge & Cox Income Fund                                       | DODIX         | 0.42%         |
| Nuveen Floating Rate Income Fund                              | NFRFX         | 0.68%         |
| Vanguard High-Yield Corporate Fund                            | VWEAX         | 0.13%         |
| BlackRock High Yield Bond Portfolio                           | BRHYX         | 0.51%         |
| Vanguard Total International Bond Index Fund                  | VTIFX         | 0.07%         |
| BNY Mellon Global Fixed Income Fund                           | DSDYX         | 0.45%         |
| Vanguard Institutional Index Fund                             | VIIIX         | 0.02%         |
| Vanguard Total Stock Market Index Fund                        | VSMPX         | 0.02%         |
| T. Rowe Price Large-Cap Growth Strategy                       | SMA           | 0.33%         |
| DFA U.S. Large Cap Value Portfolio                            | DFLVX         | 0.22%         |
| Vanguard Explorer Fund  | VEXRX         | 0.30%         |
| DFA U.S. Targeted Value Portfolio                             | DFFVX         | 0.33%         |
| Ariel Fund  | ARAIX         | 0.72%         |
| Vanguard Real Estate Index Fund                               | VGSNX         | 0.10%         |
| DWS RREEF Global Real Estate Securities Fund                  | RRGRX         | 0.95%         |
| Vanguard Total International Stock Index Fund                 | VTPSX         | 0.07%         |
| Invesco Oppenheimer International Growth Fund                 | OIGIX         | 0.69%         |
| Dodge & Cox International Stock Fund                          | DODFX         | 0.63%         |
| DFA International Small Company Portfolio                     | DFISX         | 0.44%         |
| DFA Emerging Markets Core Equity Portfolio                    | DFCEX         | 0.39%         |

Set forth on the following pages are summary descriptions of the funds, selected by the Treasurer in consultation with the Program Manager and Wilshire, which make up the Target, Age-Based and Individual Fund Portfolios. The descriptions are taken from the most recent prospectuses of the fund dated prior to September 30, 2021 and are intended to summarize their respective investment objectives and policies. The performance set forth was obtained directly from the various mutual fund companies and is believed to be accurate. Past performance is not a guarantee or prediction of future results.

**For more complete information regarding any fund, you may request a prospectus from the Program Manager, your financial advisor, or by visiting the website for the respective fund. 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 Funds. For complete information please see the Fund's Prospectus.**

**All information regarding the investments and underlying investments is obtained from the prospectus, fund company, and other public information of the fund, and neither Union Bank & Trust Company nor the Treasurer guarantee the accuracy of such information.**

# Bank Deposit Account

## Investment Objective

The FDIC-insured Deposit Account invests solely in a Union Bank and Trust Company and/or Nelnet Bank omnibus deposit account. It seeks income consistent with preservation of principal. The FDIC-insured Deposit Account is an omnibus savings account pursuant to a fiduciary, custodial and/or agency relationship on behalf of the 529 Plan participants and is insured by the FDIC in the manner and up to the limits described below.

Investments in the FDIC-insured Deposit Account will earn varying rates of interest. The interest rate generally will be equivalent to short-term deposit rates. Interest on the deposit account will be compounded daily based on the actual number of days in a year (typically 365 days, except for 366 days in leap years) and will be credited to the deposit account on a monthly basis. The interest on the savings account is expressed as an annual percentage yield ("APY"). The APY on the deposit account will be reviewed on a periodic basis and may be recalculated as needed at any time. The minimum interest rate is 0.50% as of the date of this Program Disclosure Statement. To see the current Bank Savings 529 Portfolio APY please go to BrightStart.com or call 877.432.7444.

## FDIC Insurance Coverage

Subject to the application of bank and FDIC rules and regulations to each account owner, contributions and earnings in the FDIC-insured Deposit Account will be subject to FDIC insurance. By contrast, no other Underlying Investment is insured by the FDIC (or by any other government agency or branch). Contributions to and earnings on the investments in the FDIC-insured Deposit Account have been structured in order to be insured by the FDIC on a per participant, pass-through basis with respect to each account owner up to the maximum limit established by federal law, which currently is \$250,000. The amount of FDIC insurance provided to an Account Owner is based on the total of: (1) the value of an Account Owner's investment in the FDIC-insured Deposit Account Underlying Investment, and (2) the value of all other accounts held by the Account Owner at Union Bank and Trust Company and/or Nelnet Bank (including bank deposits), as determined in accordance with applicable FDIC rules and regulations. You are responsible for monitoring the total amount of your assets on deposit at Union Bank and Trust Company and/or Nelnet Bank, including amounts held directly at Union Bank and Trust Company and/or Nelnet Bank. All such deposits held in the same ownership capacity at Union Bank and Trust Company and/or Nelnet Bank are subject to aggregation and to the current FDIC insurance coverage limitation of \$250,000. Each Account Owner should determine whether the amount of FDIC insurance available to the Account Owner is sufficient to cover the total of the Account Owner's investment in the FDIC-insured Deposit Account Underlying Investment plus the Account Owner's other deposits at Union Bank and Trust Company and/or Nelnet Bank. Deposits held in different ownership capacities, as provided in FDIC rules, are insured separately. None of the Bright Start Direct-Sold College Savings Program, the Program Manager, the State of Illinois, the Illinois State Treasurer, or any of their respective affiliates are responsible for determining the amount of FDIC insurance provided to an Account Owner. For more information, please visit [www.fdic.gov](http://www.fdic.gov).

The FDIC-insured Deposit Account Underlying Investment does not provide a guarantee of any level of performance or return or offer any additional guarantees. Like all Portfolios, neither the

contributions into the FDIC-insured Deposit Account Underlying Investment, nor any investment return earned on the contributions are guaranteed by the State of Illinois, the Illinois State Treasurer, the Program Manager, Union Bank and Trust Company and/or Nelnet Bank or any of their respective authorized agents or affiliates or any other federal or state entity or person.

## Investment Risks

The following is a summary of investment risks associated with the FDIC-insured Deposit Account.

**FDIC Insurance Risk:** Although your interest in the assets of the FDIC-insured Deposit Account on deposit at Union Bank and Trust Company and/or Nelnet Bank, together with any other deposits you may have at Union Bank and Trust Company and/or Nelnet Bank, are eligible for FDIC insurance, subject to applicable federal deposit insurance limits, the units of the Portfolios (including the Bank Savings 529 Portfolio), themselves are not insured or guaranteed by the FDIC or any other government agency or branch. You are responsible for monitoring the total amount of your assets on deposit (including amounts in other accounts held in the same right and legal capacity) in order to determine the extent of FDIC deposit insurance coverage available to you on those deposits, including your Bank Deposit Account Underlying Investment and, Bank Savings 529 Portfolio deposits.

**Interest Rate Risk:** The interest rate paid by Union Bank and Trust Company and/or Nelnet Bank is based on a number of factors, including general economic and business conditions. The rate of interest will vary over time and can change daily without notice to you. The interest rate paid on the FDIC-insured Deposit Account and Bank Savings 529 Portfolio may not be sufficient to meet your investment objectives and may be more or less than the investment returns available in other Individual Fund Portfolios.

**Ownership Risk:** You own units of the Portfolio. You do not have an ownership interest or any other rights as an owner or shareholder of the FDIC-insured Deposit Account Underlying Investment in which the Bank Savings 529 Portfolio invests. You cannot access or withdraw your money from the Bank Savings 529 Portfolio by contacting Union Bank and Trust Company and/or Nelnet Bank directly. You must contact the Program Manager to perform any such transactions in your Account. The assets in the FDIC-insured Deposit Account Underlying Investment on deposit at Union Bank and Trust Company and/or Nelnet Bank are subject to legal process such as a levy or garnishment delivered to the Program Manager to the same extent as if those assets were invested in any other investment option.

**Regulatory Risk:** The status of the FDIC regulations applicable to 529 college savings plans are subject to change at any time. It is not possible to predict the impact any such change in the regulations would have on the FDIC-insured Deposit Account Underlying Investment or Bank Savings 529 Portfolio.

### Fees & Expenses

Total Annual Operating Expenses..... 0.00%

# Vanguard Federal Money Market Fund

## Investment Objective

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

Principal Investment Strategies

The fund invests primarily in high-quality, short-term money market instruments. Under normal circumstances, at least 80% of the fund's assets are invested in securities issued by the U.S. government and its agencies and instrumentalities, including repurchase agreements that are collateralized solely by U.S. government securities or cash. Although these securities are high-quality, some of the securities held by the fund are neither guaranteed by the U.S. Treasury nor supported by the full faith and credit of the U.S. government. 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 maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

Government money market funds are required to invest at least 99.5% of their total assets in cash, U.S. government securities, and/ or repurchase agreements that are collateralized solely by U.S. government securities or cash (collectively, government securities). The fund generally invests 100% of its assets in U.S. government securities and therefore will satisfy the 99.5% requirement for designation as a government money market fund.

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**, which is the chance that the fund's income will decline because of falling interest rates. Because the fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high. A low or negative interest rate environment will adversely affect the fund's return. Low or negative interest rates, depending on their duration and severity, could prevent the fund from, among other things, providing a positive yield and/or maintaining a stable share price of \$1.
- **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.
- **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. Credit risk should be very low for the fund because it invests primarily in securities that are considered to be of high quality.

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. 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.

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| <b>Fees &amp; Expenses</b><br>(Based on the prospectus dated December 22, 2020)<br>Total Annual Fund Operating Expenses.....0.11% |
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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. As of December 31, 2020, the dollar-weighted average maturity of the Index was 2.9 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, and the level of risk may vary based on market conditions:

- **Income risk**, which is the chance that the 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.
- **Interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low for the fund because it invests primarily in short-term bonds, whose prices are less sensitive to interest rate changes than are the prices of longer-term bonds.
- **Credit risk**, which is the chance that a bond issuer 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 bond to decline. Credit risk should be low for the fund because it purchases only bonds that are of investment-grade quality.
- **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. Index sampling risk for the fund is expected to be low.
- **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.

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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| <b>Fees &amp; Expenses</b><br>(Based on the prospectus dated April 29, 2021)<br>Total Annual Fund Operating Expenses.....0.04% |
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Baird Short-Term Bond Fund

Investment Objective

The investment objective of the Baird Short Term Bond Fund (the "fund") is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays 1 3 Year U.S. Government/Credit Bond Index.

## Principal Investment Strategies

The fund normally invests at least 80% of its net assets in the following types of U.S. dollar denominated debt obligations:

- Obligations of U.S. government and other public sector entities
- Asset backed and mortgage backed obligations of U.S. and foreign issuers
- Corporate debt of U.S. and foreign issuers

The fund only invests in investment-grade debt obligations, rated at the time of purchase by at least one major rating agency or, if unrated, determined by Robert W. Baird & Co. Incorporated (the "advisor") to be investment grade. After purchase, a debt obligation may cease to be rated or may have its rating reduced below the minimum rating required by the fund for purchase. In such cases, the advisor will consider whether to continue to hold the debt obligation. The fund may hold debt obligations with a "D" or similar credit rating indicating at least a partial payment default.

The advisor attempts to keep the duration of the fund's portfolio substantially equal to that of its benchmark, the Bloomberg Barclays 1 3 Year U.S. Government/Credit Bond Index. The duration of the fund's benchmark as of March 31, 2021 was 1.94 years. The dollar weighted average portfolio effective maturity of the fund will normally be more than one year but less than three years during normal market conditions. The fund may invest in debt obligations of all maturities. The advisor attempts to diversify the fund's portfolio by holding debt obligations of many different issuers and choosing issuers in a variety of sectors.

In determining which debt obligations to buy for the fund, the advisor attempts to achieve returns that exceed the fund's benchmark primarily in three ways:

- **Yield curve positioning:** The advisor selects debt obligations with maturities and yields that it believes have the greatest potential for achieving the fund's objective, while attempting to match the average duration of the debt obligations in the fund with the average duration of the debt obligations in the fund's benchmark.
- **Sector allocation:** The advisor invests in debt obligations in those sectors which it believes represent the greatest potential for achieving the fund's objective.
- **Security selection:** The advisor determines which issuers it believes offer the best relative value within each sector and then decides which available debt obligations of that issuer to purchase.

The fund may invest in foreign debt obligations and money market instruments. The advisor generally will sell a debt obligation when, on a relative basis and in the advisor's opinion, it will no longer help the fund attain its objective.

## Principal Risks

Please be aware that you may lose money by investing in the fund. The following is a summary description of certain risks of investing in the fund.

### Management Risks

The advisor may err in its choices of debt obligations or portfolio mixes. Such errors could result in a negative return to the fund and a loss to you.

### Bond Market Risks

A bond's market value may be affected significantly by changes in interest rates – generally, when interest rates rise,

the bond's market value declines and when interest rates decline, its market value rises ("interest rate risk"). Interest rate risk should be low for the fund because it invests primarily in short term bonds, whose prices are less sensitive to interest rate changes than are the prices of long term bonds. Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit quality risk"). Bonds are also generally subject to credit risk that an issuer will not make timely payments of principal and interest.

### Credit Quality Risks

Debt obligations receiving the lowest investment grade rating may have speculative characteristics and, compared to higher grade debt obligations, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

### Mortgage- and Asset-Backed Debt Obligations Risks

Mortgage and asset backed debt obligations are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these debt obligations. When interest rates fall, mortgage and asset backed debt obligations may be subject to prepayment risk, which is the risk that the borrower will prepay some or the entire principal owed to the investor. When interest rates rise, certain types of mortgage and asset backed debt obligations are subject to extension risk. Mortgage and asset backed debt obligations can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

### Extension Risk

Extension risk is the risk that debt obligations, including mortgage and asset backed debt obligations, will be paid off by the borrower more slowly than anticipated, increasing the average life of such debt obligations and the sensitivity of the prices of such debt obligations to future interest rate changes.

### Call Risks

If the securities in which the fund invests are redeemed by the issuer before maturity (or "called"), the fund may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the fund's yield. This will most likely happen when interest rates are declining.

### Government Obligations Risks

No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not specifically obligated to do so by law, such as the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). To the extent a fund holds securities of such an issuer and that issuer defaults, the fund might not be able to recover its investment from the U.S. government.

### Liquidity Risks

Certain debt obligations may be difficult or impossible to sell at the time and price that the advisor would like to sell. The advisor may have to lower the price, sell other debt obligations or forego an investment opportunity, any of which may have a negative effect on the management or performance of the fund.



## Municipal Obligations Risks

Municipal obligations are subject to risks based on many factors, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings, and other factors. The value of municipal obligations may be affected more by supply and demand factors or the creditworthiness of the issuer than by market interest rates. Repayment of municipal obligations depends on the ability of the issuer or project backing such obligations to generate taxes or revenues. There is a risk that interest may be taxable on a municipal obligation that is otherwise expected to produce tax-exempt interest. The repayment of principal and interest on some of the municipal obligations in which the fund may invest may be guaranteed or insured by a monoline insurance company. If a company insuring municipal obligations in which the fund invests experiences financial difficulties, the credit rating and price of the security may deteriorate.

## Foreign Securities Risks

Foreign investments, even those that are U.S. dollar denominated, may involve additional risks, including political and economic instability, differences in financial reporting standards, less regulated securities markets, and withholding of foreign taxes.

## Valuation Risks

The prices provided by the fund's pricing services or independent dealers or the fair value determinations made by the valuation committee of the advisor may be different from the prices used by other mutual funds or from the prices at which debt obligations are actually bought and sold. The prices of certain debt obligations provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

## Sector Risks

From time to time, based on market or economic conditions, the fund may have significant positions in specific sectors of the market. Potential negative market or economic developments affecting one or more of these sectors could have a greater impact on the fund than on a fund with fewer holdings in that sector.

## Recent Market Events

U.S. and international markets have experienced significant periods of volatility in recent months and years due to a number of economic, political, social and global macro factors including the impact of the coronavirus (COVID-19) global pandemic, which has resulted in a global health crisis, business interruptions, growth concerns in the U.S. and overseas, layoffs, rising unemployment claims, changed travel and social behaviors, reduced consumer spending, and fiscal, monetary and other government policy responses. The impact of the COVID-19 pandemic may last for an extended period of time.

## Cybersecurity Risk

With the increased use of technologies such as the Internet to conduct business, the fund is susceptible to operational, information security, and related risks. Cyber incidents affecting the fund or its service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the fund's ability to calculate its net asset value ("NAV"), impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational

damage, reimbursement or other compensation costs, or additional compliance costs.

## Fees & Expenses

(Based on the prospectus dated May 1, 2021)

Total Annual Fund Operating Expenses.....0.30 %  
After Fee Waivers and/or Expense Reimbursements

# 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 Index. As of September 30, 2020, the dollar-weighted average maturity of the Index was 2.7 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, and the level of risk may vary based on market conditions:

- **Income fluctuations.** 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. Overall, investors can expect income fluctuations to be high for the fund.

- **Real interest rate risk,** which is the chance that the value of a bond will fluctuate because of a change in the level of real, or after inflation, interest rates. Although inflation-indexed bonds seek to provide inflation protection, their prices may decline when real interest rates rise and vice versa. Because 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, real interest rate risk is expected to be low 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 January 31, 2021)

Total Annual Fund Operating Expenses.....0.04%

# 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 measures the performance of 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. As of December 31, 2020, the dollar-weighted average maturity of the Index was 8.6 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, and the level of risk may vary based on market conditions:

- **Interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the fund because it invests primarily in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.
- **Income risk**, which is the chance that the fund's income will decline because of falling interest rates. Income risk is generally high for short-term bond funds and moderate for intermediate-term bond funds, so investors should expect the fund's monthly income to fluctuate accordingly.
- **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. Prepayment risk should be moderate for the fund.
- **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, there is a chance that during periods of rising interest rates, homeowners will repay their mortgages at slower rates. Extension risk should be moderate for the fund.

- **Call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates 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. Call risk should be low for the fund because it invests only a small portion of its assets in callable bonds.

- **Credit risk**, which is the chance that a bond issuer 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 bond to decline. Credit risk should be low for the fund because it purchases only bonds that are of investment-grade quality.

- **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. Index sampling risk for the fund is expected to be low.

- **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.

**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 April 29, 2021)

Total Annual Fund Operating Expenses.....0.03%

# Dodge & Cox Income Fund

## Investment Objectives

The fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

## Principal Investment Strategies

The fund invests in a diversified portfolio of bonds and other debt securities. Under normal circumstances, the fund will invest at least 80% of its total assets in (1) investment-grade debt securities and (2) cash equivalents. "Investment grade" means (i) securities rated Baa3 or higher by Moody's Investors Service ("Moody's"), or BBB- or higher by Standard & Poor's Global Ratings ("S&P") or Fitch Ratings ("Fitch"), or equivalently rated by any nationally recognized statistical rating organization ("NRSRO"), or, (ii) if unrated, deemed to be of similar quality by Dodge & Cox. The fund may invest up to 25% of its total assets in U.S. dollar-denominated securities of non-U.S. issuers, including emerging market issuers.

Debt securities in which the fund invests include obligations issued or guaranteed by the U.S. government, its agencies or government sponsored entities ("GSEs"), mortgage- and asset-backed securities, corporate and municipal bonds, and may include other fixed and floating rate instruments. The fund may invest up to 20% of its total assets in debt securities rated below investment grade, commonly referred to as high-yield or "junk" bonds; provided no more than 5% of the fund's total assets may be invested in securities rated below B3 or B- by Moody's, S&P,

or Fitch. The fund may also invest in interest rate derivatives, such as U.S. Treasury futures, for a variety of purposes, including, but not limited to, managing the fund's duration or adjusting the fund's exposure to debt securities with different maturities.

The proportions of fund assets invested in various classes of debt securities will be revised in light of Dodge & Cox's appraisal of the economy, the relative yields of securities in the various market sectors, the investment prospects for issuers, and other factors. In selecting securities, Dodge & Cox considers many factors, including yield, credit quality, liquidity, covenants, call risk, duration, structure, and capital appreciation potential, as well as relevant environmental, social, and governance (ESG) issues.

**Principal Risks of Investing**

**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. The fund's performance could be hurt by:**

- **Interest rate risk.** Debt security prices may decline due to rising interest rates. The price of debt securities with longer maturities is typically affected more by rising interest rates than the price of debt securities with shorter maturities.
- **Credit risk.** An issuer or guarantor of a debt security may be unable or unwilling to make scheduled payments of interest and principal. Actual or perceived deterioration in an issuer's or guarantor's financial condition may affect a security's value.
- **Below investment-grade securities risk.** Debt securities rated below investment-grade, also known as high-yield or "junk" bonds, generally have greater credit risk, more price volatility, and less liquidity than investment-grade securities.
- **Mortgage- and asset-backed securities risk.** Mortgage- and certain asset-backed securities permit early repayment of principal based on prepayment of the underlying assets; changes in the rate of repayment affect the price and volatility of an investment. If prepayments occur more quickly than expected, the fund receives lower interest payments than it expects. If prepayments occur more slowly than expected, it delays the return of principal to the fund. Securities issued by certain GSEs are not issued or guaranteed by the U.S. Treasury; there is no assurance the U.S. government will provide support in the event a GSE issuer cannot meet its obligations.
- **Non-U.S. investment risk.** Securities of non-U.S. issuers may be more volatile, harder to value, and have lower overall liquidity 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. securities may decline in value 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.

• **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. Liquidity risk may result from the lack of an active market or a reduced number and

capacity of traditional market participants to make a market in fixed income securities, and may be magnified during times of market stress or under circumstances that cause increased supply in the market due to unusually high selling activity.

- **Derivatives risk.** Investing with derivatives, such as interest rate swaps and 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. A derivative can create leverage because it can result in exposure to an amount of a security, index, or other underlying investment (a "notional amount") that is substantially larger than the derivative position's market value. Often, the upfront payment required to enter into a derivative is much smaller than the potential for loss, which for certain types of derivatives may be unlimited. 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.
  - **Call risk.** If interest rates fall, issuers of callable bonds may repay securities with higher interest rates before maturity. This could cause the fund to lose potential price appreciation and reinvest the proceeds in securities with lower interest rates or more credit risk.
  - **Sovereign and government-related debt risk.** An issuer of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due. In the event of a default by a governmental entity on a sovereign debt obligation, there may be few or no effective legal remedies for collecting on such debt.
  - **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 a company or security. Depending on the market conditions, Dodge & Cox's investing style may perform better or worse than portfolios with a different investment style. Dodge & Cox may not make timely purchases or sales of securities for the fund. The fund may underperform the broad market, relevant indices, or other funds with similar objectives and investment strategies.
  - **Market risk.** Investment prices may increase or decrease, sometimes suddenly and unpredictably, due to general market conditions. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could also have a significant impact on the fund and its investments and potentially increase the risks described above.
- 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, 2021)

Total Annual Fund Operating Expenses.....0.42%



# Nuveen Floating Rate Income Fund

## Investment Objective

The principal investment objective of the fund is to seek a high level of current income and the secondary investment objective of the fund is to seek capital appreciation.

## Principal Investment Strategies

Under normal market conditions, the fund invests at least 80% of the sum of its net assets and the amount of any borrowings for investment purposes in floating rate securities. Floating rate securities are defined to include floating rate loans, other floating rate debt securities including corporate debt securities and U.S. government securities, money market securities and shares of money market and short-term bond funds. The fund may invest up to 20% of its net assets in other securities, which would primarily be fixed rate debt securities of any maturity, convertible securities and equity securities received as a result of the restructuring of an issuer's debt. A substantial portion of the fund's assets generally will be invested in securities rated below investment grade or, if unrated, deemed by the fund's portfolio managers to be of comparable quality. Below investment-grade securities are commonly referred to as "high yield" securities or "junk" bonds. The fund invests both in securities issued by U.S. companies and in U.S. dollar-denominated securities issued by non-U.S. companies that are traded over-the-counter or listed on an exchange. Under normal market conditions, the average effective duration of the fund's portfolio will not be longer than one year. Effective duration is an estimate of how much the value of a debt security will change with a given change in interest rates.

The fund may invest in securities that have not been registered under the Securities Act of 1933, but that may be resold to qualified institutional buyers in accordance with the provisions of Rule 144A under the Securities Act of 1933 ("Rule 144A securities").

The fund may utilize the following derivatives: options; futures contracts; options on futures contracts; swap agreements, including interest rate swaps, total return swaps, and credit default swaps; and options on swap agreements. The fund may use these derivatives in an attempt to manage market risk, credit risk and yield curve risk, to manage the effective maturity or duration of securities in the fund's portfolio, including the use of interest rate derivatives to convert fixed-rate securities to floating rate securities, or for speculative purposes in an effort to increase the fund's yield or to enhance returns. The use of a derivative is speculative if the fund is primarily seeking to enhance returns, rather than offset the risk of other positions.

The fund's sub-adviser bases its investment process on fundamental, bottom-up credit analysis. Analysts assess sector dynamics, company business models and asset quality. Inherent in the sub-adviser's credit analysis process is the evaluation of potential upside and downside to any credit. As such, the sub-adviser concentrates its efforts on sectors where there is sufficient transparency to assess the downside risk and where firms have assets to support meaningful recovery in case of default. In its focus on downside protection, the sub-adviser favors opportunities where valuations can be quantified and risks assessed.

## Principal Risks

The value of your investment in this fund will change daily. You could lose money by 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. The principal risks of investing in the fund listed below are presented alphabetically to facilitate your ability to find particular risks and compare them with the risks of other funds. Each risk summarized below is considered a "principal risk" of investing in the fund, regardless of the order in which it appears.

**Active Management Risk**—The fund's sub-adviser actively manages the fund's investments. Consequently, the fund is subject to the risk that the investment techniques and risk analyses employed by the fund's sub-adviser may not produce the desired results. This could cause the fund to lose value or its investment results to lag relevant benchmarks or other funds with similar objectives.

**Bond Market Liquidity Risk**—Reductions in trading activity or dealer inventories of bonds, which provide an indication of the ability of financial intermediaries to "make markets" in those bonds, have the potential to decrease liquidity and increase price volatility in the fixed income markets in which the fund invests, particularly during periods of economic or market stress. In addition, federal banking regulations may cause certain dealers to reduce their inventories of bonds, which may further decrease the fund's ability to buy or sell bonds. As a result of this decreased liquidity, the fund may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance. If the fund needed to sell large blocks of bonds to meet shareholder redemption requests or to raise cash, those sales could further reduce the bonds' prices and hurt performance.

**Call Risk**—If, during periods of falling interest rates, an issuer calls higher-yielding debt securities held by the fund, the fund may have to reinvest in securities with lower yields or higher risk of default, which may adversely impact the fund's performance.

**Convertible Security Risk**—Convertible securities are subject to certain risks of both equity and debt securities. The value of convertible securities may decline in response to such factors as rising interest rates and fluctuations in the market price of the common stock underlying the convertible securities.

**Credit Risk**—Credit risk is the risk that an issuer or other obligated party of a debt security may be unable or unwilling to make interest and principal payments when due and the related risk that the value of a debt security may decline because of concerns about the issuer's ability or willingness to make such payments.

**Credit Spread Risk**—Credit spread risk is the risk that credit spreads (i.e., the difference in yield between securities that is due to differences in their credit quality) may increase when the market believes that bonds generally have a greater risk of default. Increasing credit spreads may reduce the market values of the fund's debt securities. Credit spreads often increase more for lower rated and unrated securities than for investment grade securities. In addition, when credit spreads increase, reductions in market value will generally be greater for longer-maturity securities.

**Currency Risk**—Even though the non-U.S. securities held by the fund are traded in U.S. dollars, their prices are typically indirectly influenced by currency fluctuations. Changes in currency exchange rates may affect the fund's net asset value, the value of dividends and interest earned, gains or losses realized on the sale of securities, and derivative transactions tied to such securities.



**Cybersecurity Risk**—Cybersecurity risk is the risk of an unauthorized breach and access to fund assets, customer data (including private shareholder information), or proprietary information, or the risk of an incident occurring that causes the fund, its investment adviser or sub-adviser, custodian, transfer agent, distributor or other service provider or a financial intermediary to suffer a data breach, data corruption or lose operational functionality. Successful cyber-attacks or other cyber-failures or events affecting the fund or its service providers may adversely impact the fund or its shareholders. Additionally, a cybersecurity breach could affect the issuers in which the fund invests, which may cause the fund's investments to lose value.

**Derivatives Risk**—The use of derivatives involves additional risks and transaction costs which could leave the fund in a worse position than if it had not used these instruments. Derivative instruments can be used to acquire or to transfer the risk and returns of a security or other asset without buying or selling the security or asset. These instruments may entail investment exposures that are greater than their cost would suggest. As a result, a small investment in derivatives can result in losses that greatly exceed the original investment. Derivatives can be highly volatile, illiquid and difficult to value. An over-the-counter derivative transaction between the fund and a counterparty that is not cleared through a central counterparty also involves the risk that a loss may be sustained as a result of the failure of the counterparty to the contract to make required payments. The payment obligation for a cleared derivative transaction is guaranteed by a central counterparty, which exposes the fund to the creditworthiness of the central counterparty.

**Equity Security Risk**—Equity securities in the fund's portfolio may decline significantly in price over short or extended periods of time, and such declines may occur because of declines in the equity market as a whole, or because of declines in only a particular country, company, industry, or sector of the market. From time to time, the fund may invest a significant portion of its assets in companies in one or more related sectors or industries which would make the fund more vulnerable to adverse developments affecting such sectors or industries.

**Foreign Investment Risk**—Non-U.S. issuers or U.S. issuers with significant non-U.S. operations may be subject to risks in addition to those of issuers located in or that principally operate in the United States as a result of, among other things, political, social and economic developments abroad and different legal, regulatory and tax environments. To the extent the fund invests a significant portion of its assets in the securities of companies in a single country or region, it may be more susceptible to adverse conditions affecting that country or region.

**High Yield Securities Risk**—High yield securities, which are rated below investment grade and commonly referred to as "junk" bonds, are high risk investments that may cause income and principal losses for the fund. They generally are considered to be speculative with respect to the ability to pay interest and repay principal, have greater credit risk, are less liquid and have more volatile prices than investment grade securities.

**Income Risk**—The fund's income could decline during periods of falling interest rates or when the fund experiences defaults on debt securities it holds.

**Interest Rate Risk**—Interest rate risk is the risk that the value of the fund's fixed-rate securities will decline because of rising interest rates. Very low or negative interest rates may magnify

interest rate risk. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, result in heightened market volatility and detract from the fund's performance to the extent that it is exposed to such interest rates. Fixed-rate securities may be subject to a greater risk of rising interest rates than would normally be the case due to the current period of historically low rates and the effect of potential government fiscal policy initiatives and resulting market reaction to those initiatives. When interest rates change, the values of longer-duration fixed-rate securities usually change more than the values of shorter-duration fixed-rate securities. Conversely, fixed-rate securities with shorter durations or maturities will be less volatile but may provide lower returns than fixed-rate securities with longer durations or maturities. Rising interest rates also may lengthen the duration of securities with call features, since exercise of the call becomes less likely as interest rates rise, which in turn will make the securities more sensitive to changes in interest rates and result in even steeper price declines in the event of further interest rate increases. Because the fund primarily invests in floating rate loans, interest rate risk may be reduced. However, floating rate loans are still subject to interest rate risk, and their values may decrease, if their interest rates do not reset as quickly as a general rise in interest rates.

**Loan Risk**—The lack of an active trading market for certain loans may impair the ability of the fund to realize full value in the event of the need to sell a loan and may make it difficult to value such loans. Portfolio transactions in loans may settle in as short as seven days but typically can take up to two or three weeks, and in some cases much longer. As a result of these extended settlement periods, the fund may incur losses if it is required to sell other investments or temporarily borrow to meet its cash needs, including satisfying redemption requests. The risks associated with unsecured loans, which are not backed by a security interest in any specific collateral, are higher than those for comparable loans that are secured by specific collateral. For secured loans, there is a risk that the value of any collateral securing a loan in which the fund has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. Interests in loans made to finance highly leveraged companies or transactions such as corporate acquisitions may be especially vulnerable to adverse changes in economic or market conditions. Loans may have restrictive covenants limiting the ability of a borrower to further encumber its assets. However, in periods of high demand by lenders like the fund for loan investments, borrowers may limit these covenants and weaken a lender's ability to access collateral securing the loan; reprice the credit risk associated with the borrower; and mitigate potential loss. The fund may experience relatively greater realized or unrealized losses or delays and expenses in enforcing its rights with respect to loans with fewer restrictive covenants. Additionally, loans may not be considered "securities" and, as a result, the fund may not be entitled to rely on the anti-fraud protections of the securities laws. Because junior loans have a lower place in an issuer's capital structure and may be unsecured, junior loans involve a higher degree of overall risk than senior loans of the issuer. The fund's investments in floating rate loans that pay interest based on the London Inter-Bank Offered Rate (LIBOR) may experience increased volatility and/or illiquidity during the transition away from LIBOR, which is scheduled to be phased out.

**Market Risk**—The market value of the fund's investments may go up or down, sometimes rapidly or unpredictably and for short or extended periods of time, due to the particular

circumstances of individual issuers or due to general conditions impacting issuers more broadly. Global economies and financial markets have become highly interconnected, and thus economic, market or political conditions or events in one country or region might adversely impact the value of the fund's investments whether or not the fund invests in such country or region. Events such as war, terrorism, natural and environmental disasters and the spread of infectious illnesses or other public health emergencies may have a severe negative impact on the global economy, could cause financial markets to experience extreme volatility and losses, and could result in the disruption of trading and the reduction of liquidity in many instruments.

**Money Market Fund Risk**—An investment in a money market fund is not a bank deposit and is not insured or guaranteed by any bank, the FDIC or any other government agency. It is possible for the fund to lose money by investing in money market funds. If the liquidity of a money market fund's portfolio deteriorates below certain levels, the money market fund may suspend redemptions or impose a fee of up to 2% on amounts the fund redeems from the money market fund. These measures may result in an investment loss or prohibit the fund from redeeming shares. Additionally, the fund indirectly bears the fees and expenses of any money market funds in which it invests.

**Rule 144A Securities Risk**—The market for Rule 144A securities typically is less active than the market for publicly-traded securities. Rule 144A securities carry the risk that their liquidity may become impaired and the fund may be unable to dispose of the securities promptly or at reasonable prices.

**Unrated Security Risk**—Unrated securities determined by the fund's sub-advisor to be of comparable quality to rated securities which the fund may purchase may pay a higher interest rate than such rated securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers than rated securities or issuers.

**U.S. Government Securities Risk**—U.S. government securities are guaranteed only as to the timely payment of interest and the payment of principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued or guaranteed by U.S. government agencies and instrumentalities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. government. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities if it is not obligated by law to do so.

**Valuation Risk**—The debt securities in which the fund invests typically are valued by a pricing service utilizing a range of market-based inputs and assumptions, including readily available market quotations obtained from broker-dealers making markets in such instruments, cash flows and transactions for comparable instruments. There is no assurance that the fund will be able to sell a portfolio security at the price established by the pricing service, which could result in a loss to the fund. Pricing services generally price debt securities assuming orderly transactions of an institutional "round lot" size, but some trades may occur in smaller, "odd lot" sizes, often at lower prices than institutional round lot trades. Different pricing services may incorporate different assumptions and inputs into their valuation methodologies, potentially resulting in different values

for the same securities. As a result, if the fund were to change pricing services, or if the fund's pricing service were to change its valuation methodology, there could be a material impact, either positive or negative, on the fund's net asset value.

| Fees & Expenses                                  |       |
|--|-------|
| (Based on the prospectus dated January 29, 2021) |       |
| Total Annual Fund Operating Expenses.....        | 0.68% |

## Vanguard High-Yield Corporate Fund

### Investment Objective

The fund seeks to provide a high level of current income.

### Principal Investment Strategies

The fund invests primarily in a diversified group of high-yielding, higher-risk corporate bonds—commonly known as "junk bonds"—with medium- and lower-range credit quality ratings. The fund invests at least 80% of its assets in corporate bonds that are rated below Baa by Moody's Investors Service, Inc. (Moody's); have an equivalent rating by any other independent bond rating agency; or, if unrated, are determined to be of comparable quality by the fund's advisor.

The fund may not invest more than 20% of its assets in any of the following, in the aggregate: bonds with credit ratings lower than B or the equivalent, convertible securities, preferred stocks, and fixed and floating rate loans of medium- to lower-range credit quality. The loans in which the fund may invest will be rated Baa or below by Moody's; have an equivalent rating by any other independent bond rating agency; or, if unrated, are determined to be of comparable quality by the fund's advisor. The fund's high-yield bonds and loans mostly have short- and intermediate-term maturities.

### 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, and the level of risk may vary based on market conditions:

- **Credit risk**, which is the chance that a bond or loan issuer 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 bond or loan to decline. Credit risk should be high for the fund because it invests primarily in junk bonds.
- **Income risk**, which is the chance that the fund's income will decline because of falling interest rates. Income risk should be moderate to high for the fund, so investors should expect the fund's monthly income to fluctuate accordingly.
- **Call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates 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. Call risk should be high for the fund because of the high percentage of callable bonds.
- **Interest rate risk**, which is the chance that bond or loan prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the fund because it invests primarily in

short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.

- **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.
- **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. Extension risk should be low to moderate for the fund.
- **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.

**Because of the speculative nature of junk bonds, you should carefully consider the risks associated with this fund before you purchase shares.**

**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 28, 2021)

Total Annual Fund Operating Expenses.....0.13%

## **BlackRock High Yield Bond Portfolio**

### **Investment Objective**

The investment objective of the BlackRock High Yield Bond Portfolio is to seek to maximize total return, consistent with income generation and prudent investment management.

### **Principal Investment Strategies of the Fund**

The High Yield Fund invests primarily in non-investment grade bonds with maturities of ten years or less. The High Yield Fund normally invests at least 80% of its assets in high yield bonds. The high yield securities (commonly called "junk bonds") acquired by the High Yield Fund will generally be in the lower rating categories of the major rating agencies (BB or lower by S&P Global Ratings or Fitch Ratings, Inc. or Ba or lower by Moody's Investor Services) or will be determined by the High Yield Fund management team to be of similar quality. Split rated bonds and other fixed-income securities (securities that receive different ratings from two or more rating agencies) are valued as follows: if three agencies rate a security, the security will be considered to have the median credit rating; if two of the three agencies rate a security, the security will be considered to have the lower credit rating. The fund may invest up to 30% of its assets in nondollar denominated bonds of issuers located outside of the United States. The High Yield Fund's investment in nondollar denominated bonds may be on a currency hedged or unhedged basis. The fund may also invest in convertible and preferred securities. Convertible debt securities will be counted toward the fund's 80% policy to the extent they have characteristics similar to the securities included within that policy.

To add additional diversification, the management team can invest in a wide range of securities including corporate bonds, mezzanine investments, collateralized bond obligations, bank loans and mortgage-backed and asset-backed securities. The High Yield Fund can also invest, to the extent consistent with its investment objective, in non-U.S. and emerging market securities and currencies. The High Yield Fund may invest in securities of any rating, and may invest up to 10% of its assets (measured at the

time of investment) in distressed securities that are in default or the issuers of which are in bankruptcy.

The High Yield Fund may buy or sell options or futures on a security or an index of securities, or enter into credit default swaps and interest rate or foreign currency transactions, including swaps (collectively, commonly known as derivatives). The fund may use derivative instruments to hedge its investments or to seek to enhance returns. The High Yield Fund may 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 reverse repurchase agreements or dollar rolls).

The High Yield Fund may engage in active and frequent trading of portfolio securities to achieve its principal investment strategies.

### **Principal Risks of Investing in the Fund**

Risk is inherent in all investing. The value of your investment in the fund, as well as the amount of return you receive on your investment, may fluctuate significantly from day to day and over time. You may lose part or all of your investment in the fund or your investment may not perform as well as other similar investments. The following is a summary description of principal risks of investing in the fund. The order of the below risk factors does not indicate the significance of any particular risk factor.

**Bank Loan Risk** — The market for bank loans may not be highly liquid and the fund may have difficulty selling them. These investments expose the fund to the credit risk of both the financial institution and the underlying borrower.

**Collateralized Bond Obligation Risk** —The pool of high yield securities underlying collateralized bond obligations is typically separated into groupings called tranches representing different degrees of credit quality. The higher quality tranches have greater degrees of protection and pay lower interest rates. The lower tranches, with greater risk, pay higher interest rates.

**Convertible Securities Risk** —The market value of a convertible security performs like that of a regular debt security; that is, if market interest rates rise, the value of a convertible security usually falls. In addition, convertible securities are subject to the risk that the issuer will not be able to pay interest or dividends when due, and their market value may change based on changes in the issuer's credit rating or the market's perception of the issuer's creditworthiness. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer risks that apply to the underlying common stock.

**Debt Securities Risk** — Debt securities, such as bonds, involve interest rate risk, credit risk, extension risk, and prepayment risk, among other things.

**Interest Rate Risk** — The market value of bonds and other fixed-income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise.

The fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates. For example, if interest rates increase by 1%, assuming a current portfolio duration of ten years, and all other factors being equal, the value of the fund's investments would be expected to decrease by 10%. The magnitude of these fluctuations in the market price of bonds and other fixed-income securities is generally greater for those securities with longer maturities. Fluctuations in the



market price of the fund's investments will not affect interest income derived from instruments already owned by the fund, but will be reflected in the fund's net asset value. The fund may lose money if short-term or long-term interest rates rise sharply in a manner not anticipated by fund management.

To the extent the fund invests in debt securities that may be prepaid at the option of the obligor (such as mortgage-backed securities), the sensitivity of such securities to changes in interest rates may increase (to the detriment of the fund) when interest rates rise. Moreover, because rates on certain floating rate debt securities typically reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the net asset value of the fund to the extent that it invests in floating rate debt securities.

These basic principles of bond prices also apply to U.S. Government securities. A security backed by the "full faith and credit" of the U.S. Government is guaranteed only as to its stated interest rate and face value at maturity, not its current market price. Just like other fixed-income securities, government-guaranteed securities will fluctuate in value when interest rates change.

A general rise in interest rates has the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from funds that hold large amounts of fixed-income securities. Heavy redemptions could cause the fund to sell assets at inopportune times or at a loss or depressed value and could hurt the fund's performance.

**Credit Risk** — Credit risk refers to the possibility that the issuer of a debt security (i.e., the borrower) will not be able to make payments of interest and principal when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the fund's investment in that issuer. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation.

**Extension Risk** — When interest rates rise, certain obligations will be paid off by the obligor more slowly than anticipated, causing the value of these obligations to fall.

**Prepayment Risk** — When interest rates fall, certain obligations will be paid off by the obligor more quickly than originally anticipated, and the fund may have to invest the proceeds in securities with lower yields.

**Derivatives Risk** — The fund's use of derivatives may increase its costs, reduce the fund's returns and/or increase volatility. Derivatives involve significant risks, including:

**Volatility Risk** — Volatility is defined as the characteristic of a security, an index or a market to fluctuate significantly in price within a short time period. A risk of the fund's use of derivatives is that the fluctuations in their values may not correlate with the overall securities markets.

**Counterparty Risk** — Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation.

**Market and Illiquidity Risk** — The possible lack of a liquid secondary market for derivatives and the resulting inability of the fund to sell or otherwise close a derivatives position could expose the fund to losses and could make derivatives more difficult for the fund to value accurately.

**Valuation Risk** — Valuation may be more difficult in times of market turmoil since many investors and market makers may be reluctant to purchase complex instruments or quote prices for them.

**Hedging Risk** — Hedges are sometimes subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that the fund's hedging transactions will be effective. The use of hedging may result in certain adverse tax consequences.

**Tax Risk** — Certain aspects of the tax treatment of derivative instruments, including swap agreements and commodity-linked derivative instruments, are currently unclear and may be affected by changes in legislation, regulations or other legally binding authority. Such treatment may be less favorable than that given to a direct investment in an underlying asset and may adversely affect the timing, character and amount of income the fund realizes from its investments.

**Regulatory Risk** — Derivative contracts, including, without limitation, swaps, currency forwards and non-deliverable forwards, are subject to regulation under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") in the United States and under comparable regimes in Europe, Asia and other non-U.S. jurisdictions. Under the Dodd-Frank Act, certain derivatives are subject to margin requirements and swap dealers are required to collect margin from the fund with respect to such derivatives. Specifically, regulations are now in effect that require swap dealers to post and collect variation margin (comprised of specified liquid instruments and subject to a required haircut) in connection with trading of over-the-counter ("OTC") swaps with the fund. Shares of investment companies (other than certain money market funds) may not be posted as collateral under these regulations. Requirements for posting of initial margin in connection with OTC swaps will be phased-in through at least 2021. In addition, regulations adopted by global prudential regulators that are now in effect require certain bank-regulated counterparties and certain of their affiliates to include in certain financial contracts, including many derivatives contracts, terms that delay or restrict the rights of counterparties, such as the fund, to terminate such contracts, foreclose upon collateral, exercise other default rights or restrict transfers of credit support in the event that the counterparty and/or its affiliates are subject to certain types of resolution or insolvency proceedings. The implementation of these requirements with respect to derivatives, as well as regulations under the Dodd-Frank Act regarding clearing, mandatory trading and margining of other derivatives, may increase the costs and risks to the fund of trading in these instruments and, as a result, may affect returns to investors in the fund.

On October 28, 2020, the Securities and Exchange Commission (the "SEC") adopted new regulations governing the use of derivatives by registered investment companies ("Rule 18f-4"). The fund will be required to implement and comply with Rule 18f-4 by August 19, 2022. Once implemented, Rule 18f-4 will impose limits on the amount of derivatives a fund can enter into, eliminate the asset segregation framework currently used by funds to comply with Section 18 of the Investment Company Act of 1940, as amended (the "Investment Company Act"), treat derivatives as senior securities so that a failure to comply with the limits would result in a statutory violation and require funds whose use of derivatives is more than a limited specified exposure amount to establish and maintain



a comprehensive derivatives risk management program and appoint a derivatives risk manager.

**Distressed Securities Risk** — Distressed securities are speculative and involve substantial risks in addition to the risks of investing in junk bonds. The fund will generally not receive interest payments on the distressed securities and may incur costs to protect its investment. In addition, distressed securities involve the substantial risk that principal will not be repaid. These securities may present a substantial risk of default or may be in default at the time of investment. The fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal of or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, the fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Distressed securities and any securities received in an exchange for such securities may be subject to restrictions on resale.

**Dollar Rolls Risk** — Dollar rolls involve the risk that the market value of the securities that the fund is committed to buy may decline below the price of the securities the fund has sold. These transactions may involve leverage.

**Emerging Markets Risk** — Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets.

**Foreign Securities Risk** — Foreign investments often involve special risks not present in U.S. investments that can increase the chances that the fund will lose money. These risks include:

- The fund generally holds its foreign securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and may be subject to only limited or no regulatory oversight.
- Changes in foreign currency exchange rates can affect the value of the fund's portfolio.
- The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position.
- The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries.
- Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws.
- Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.
- The fund's claims to recover foreign withholding taxes may not be successful, and if the likelihood of recovery of foreign withholding taxes materially decreases, due to, for example, a change in tax regulation or approach in the foreign country,

accruals in the fund's net asset value for such refunds may be written down partially or in full, which will adversely affect the fund's net asset value.

- The European financial markets have recently experienced volatility and adverse trends due to concerns about economic downturns in, or rising government debt levels of, several European countries. These events may spread to other countries in Europe. These events may affect the value and liquidity of certain of the fund's investments.

**High Portfolio Turnover Risk** — The fund may engage in active and frequent trading of its portfolio securities. High portfolio turnover (more than 100%) may result in increased transaction costs to the fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities. The sale of fund portfolio securities may result in the realization and/or distribution to shareholders of higher capital gains or losses as compared to a fund with less active trading policies. These effects of higher than normal portfolio turnover may adversely affect fund performance. In addition, investment in mortgage dollar rolls and participation in TBA transactions may significantly increase the fund's portfolio turnover rate. A TBA transaction is a method of trading mortgage-backed securities where the buyer and seller agree upon general trade parameters such as agency, settlement date, par amount, and price at the time the contract is entered into but the mortgage-backed securities are delivered in the future, generally 30 days later.

**Illiquid Investments Risk** — The fund may invest up to an aggregate amount of 15% of its net assets in illiquid investments. An illiquid investment is any investment that the fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. The fund's illiquid investments may reduce the returns of the fund because it may be difficult to sell the illiquid investments at an advantageous time or price. An investment may be illiquid due to, among other things, the reduced number and capacity of traditional market participants to make a market in fixed-income securities or the lack of an active trading market. To the extent that the fund's principal investment strategies involve derivatives or securities with substantial market and/or credit risk, the fund will tend to have the greatest exposure to the risks associated with illiquid investments. Liquid investments may become illiquid after purchase by the fund, particularly during periods of market turmoil. Illiquid investments may be harder to value, especially in changing markets, and if the fund is forced to sell these investments to meet redemption requests or for other cash needs, the fund may suffer a loss. This 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. In addition, when there is illiquidity in the market for certain securities, the fund, due to limitations on illiquid investments, may be subject to purchase and sale restrictions.

**Junk Bonds Risk** — Although junk bonds generally pay higher rates of interest than investment grade bonds, junk bonds are high risk investments that are considered speculative and may cause income and principal losses for the fund.

**Leverage Risk** — Some transactions may give rise to a form of economic leverage. These transactions may include, among others, derivatives, and may expose the fund to greater risk and

increase its costs. The use of leverage may cause the fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Increases and decreases in the value of the fund's portfolio will be magnified when the fund uses leverage.

**Market Risk and Selection Risk** — Market risk is the risk that one or more markets in which the fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. The value of a security or other asset may decline due to changes in general market conditions, economic trends or events that are not specifically related to the issuer of the security or other asset, or factors that affect a particular issuer or issuers, exchange, country, group of countries, region, market, industry, group of industries, sector or asset class. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues like pandemics or epidemics, recessions, or other events could have a significant impact on the fund and its investments. Selection risk is the risk that the securities selected by fund management will underperform the markets, the relevant indices or the securities selected by other funds with similar investment objectives and investment strategies. This means you may lose money.

A recent outbreak of an infectious coronavirus has developed into a global pandemic that has resulted in numerous disruptions in the market and has had significant economic impact leaving general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general ways that cannot necessarily be foreseen at the present time.

**Mezzanine Securities Risk** — Mezzanine securities carry the risk that the issuer will not be able to meet its obligations and that the equity securities purchased with the mezzanine investments may lose value.

**Mortgage- and Asset-Backed Securities Risks** — Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities.

**Preferred Securities Risk** — Preferred securities may pay fixed or adjustable rates of return. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company's preferred securities generally pay dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred securities will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Preferred securities of smaller companies may be more vulnerable to adverse developments than preferred securities of larger companies.

**Repurchase Agreements and Purchase and Sale Contracts Risk** — If the other party to a repurchase agreement or purchase and sale contract defaults on its obligation under

the agreement, the fund may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security in either situation and the market value of the security declines, the fund may lose money.

**Reverse Repurchase Agreements Risk** — Reverse repurchase agreements involve the sale of securities held by the fund with an agreement to repurchase the securities at an agreed-upon price, date and interest payment. Reverse repurchase agreements involve the risk that the other party may fail to return the securities in a timely manner or at all. The fund could lose money if it is unable to recover the securities and the value of the collateral held by the fund, including the value of the investments made with cash collateral, is less than the value of the securities. These events could also trigger adverse tax consequences for the fund. In addition, reverse repurchase agreements involve the risk that the interest income earned in the investment of the proceeds will be less than the interest expense.

| Fees & Expenses                                  |       |
|--|-------|
| (Based on the prospectus dated January 28, 2021) |       |
| Total Annual Fund Operating Expenses.....        | 0.51% |
| After Fee Waivers and/or Expense Reimbursements  |       |

## Vanguard Total International Bond Index Fund

### Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of non-U.S. dollar-denominated investment-grade bonds

### Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). This Index provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index is market value-weighted and capped to comply with investment company diversification standards of the Internal Revenue Code, which state that, at the close of each fiscal quarter, a fund's (1) exposure to any particular bond issuer may not exceed 25% of the fund's assets and (2) aggregate exposure to issuers that individually constitute 5% or more of the fund may not exceed 50% of the fund's assets. To help enforce these limits, if the Index, on the last business day of any month, were to have greater than 20% exposure to any particular bond issuer, or greater than 48% aggregate exposure to issuers that individually constitute 5% or more of the Index, then the excess would be reallocated to bonds of other issuers represented in the Index. The Index methodology is not designed to satisfy the 2 diversification requirements of the Investment Company Act of 1940. The fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar.

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, under normal circumstances, at least 80% of the fund's assets will be invested in bonds included in the Index. The fund maintains a dollar-weighted average maturity consistent with that of the Index. As of October 31, 2020, the dollar-weighted average maturity of the Index was 10.2 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, and the level of risk may vary based on market conditions:

- **Country/regional risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign companies, governments, or government agencies. Because the fund may invest a large portion of its assets in bonds of issuers located in a particular country or region, the fund's performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk for the fund is high.
- **Interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the fund because it invests in a geographically diverse mix of short-, intermediate-, and long-term bonds.
- **Income risk**, which is the chance that the fund's income will decline because of falling interest rates. Income risk should be moderate for the fund because it invests in a diverse mix of short-, intermediate-, and long-term bonds, so investors should expect the fund's monthly income to fluctuate.
- **Nondiversification risk**, which is the chance that the fund's performance may be hurt disproportionately by the poor performance of bonds issued by just a few issuers or even a single issuer. The fund is considered nondiversified, which means that it may invest a greater percentage of its assets in bonds issued by a small number of issuers as compared with diversified mutual funds.
- **Credit risk**, which is the chance that a bond issuer 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 bond to decline. Credit risk should be relatively low for the fund because it purchases only bonds that are of investment-grade quality.
- **Call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates 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. Call risk should be low for the fund because it invests only a small portion of its assets in callable bonds.
- **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. Index sampling risk for the fund is expected to be low.

• **Currency risk and currency hedging risk.** The fund seeks to mimic the performance of foreign bonds without regard to currency exchange rate fluctuations. To accomplish this goal, the fund attempts to offset, or hedge, its foreign currency exposure by entering into currency hedging transactions, primarily through the use of foreign currency exchange forward contracts (a type of derivative). However, it generally is not possible to perfectly hedge the fund's foreign currency exposure. The fund will decline in value if it underhedges a currency that has weakened or overhedges a currency that has strengthened relative to the U.S. dollar. In addition, the fund will incur expenses to hedge its foreign currency exposure. By entering into currency hedging transactions, the fund may eliminate any chance to benefit from favorable fluctuations in relevant currency exchange rates. Currency risk and currency hedging risk for the fund is low. The fund's use of foreign currency exchange forward contracts also subjects the fund to counterparty risk, which is the chance that the counterparty to a currency forward contract with the fund will be unable or unwilling to meet its financial obligations. Counterparty risk is low for the fund.

• **Derivatives risk.** The 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.

**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 February 26, 2021)  
Total Annual Fund Operating Expenses.....0.07%

**BNY Mellon Global Fixed Income Fund**

**Investment Objective**

The fund seeks to maximize total return while realizing a market level of income consistent with preserving principal and liquidity.

**Principal Investment Strategy**

To pursue its goal, the fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in U.S. dollar and non-U.S. dollar-denominated fixed-income securities of governments and companies located in various countries, including emerging markets. The fund invests principally in bonds, notes (including structured notes), mortgage-related securities, asset-backed securities, floating rate loans (limited to up to 20% of the fund's net assets) and other floating rate securities and Eurodollar and Yankee dollar instruments. The fund generally invests in eight or more countries, but always invests in at least three countries, one of which may be the United States. The fund may invest up to 25% of its assets in emerging markets. At times, the fund may invest a substantial part of its assets in any one country. The fund will hedge most, but not necessarily all, of its foreign currency exposure to protect the U.S. dollar value of the fund's assets principally by using forward contracts, futures contracts and swap agreements.

The fund normally invests primarily in fixed-income securities rated, at the time of purchase, investment grade (i.e., Baa/BBB or higher) or, if unrated, determined to be of comparable quality by the fund's sub-adviser. The fund, however, may invest up to 25% of its assets in securities rated, at the time of purchase, below



investment grade ("high yield" or "junk" bonds), but not rated lower than B, or, if unrated, determined to be of comparable quality by the fund's sub-adviser. There are no restrictions on the dollar-weighted average maturity or average effective duration of the fund's portfolio or on the maturities or durations of the individual fixed-income securities the fund may purchase. A bond's maturity is the length of time until the principal must be fully repaid with interest. Duration is an indication of an investment's "interest rate risk," or how sensitive a bond or the fund's portfolio may be to changes in interest rates.

The fund's portfolio managers focus on identifying undervalued government bond markets, currencies, sectors and securities and de-emphasize the use of interest rate forecasting. The portfolio managers look for fixed-income securities with the potential for credit upgrades, unique structural characteristics or innovative features. The portfolio managers select securities by using fundamental economic research and quantitative analysis to allocate assets among countries and currencies, and by focusing on sectors and individual securities that appear to be relatively undervalued and actively trading among sectors. The fund does not have any limitations regarding portfolio turnover. The fund may engage in short-term trading to try to achieve its objective and may have portfolio turnover rates in excess of 100%. A portfolio turnover of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once during the course of a year.

The fund may, but is not required to, use derivative instruments as a substitute for investing directly in an underlying asset, to increase returns, to manage market, foreign currency and/or duration or interest rate risks, or as part of a hedging strategy. The derivative instruments in which the fund may invest include principally options, futures, options on futures, forward contracts and swap agreements. When the fund enters into derivatives transactions, it may be required to segregate liquid assets or enter into offsetting positions in accordance with applicable regulations.

### Principal Risks

An investment in the fund is not a bank deposit. It is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. It is not a complete investment program. The fund's share price fluctuates, sometimes dramatically, which means you could lose money.

• **Fixed-income market risk.** The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates). An unexpected increase in fund redemption requests, including requests from shareholders who may own a significant percentage of the fund's shares, which may be triggered by market turmoil or an increase in interest rates, could cause the fund to sell its holdings at a loss or at undesirable prices and adversely affect the fund's share price and increase the fund's liquidity risk, fund expenses and/or taxable distributions. Federal Reserve policy in response to market conditions, including with respect to interest rates, may adversely affect the value, volatility and liquidity of dividend and interest paying securities.

Policy and legislative changes worldwide are affecting many aspects of financial regulation. The impact of these changes on the markets and the practical implications for market participants may not be fully known for some time.

• **Credit risk.** Failure of an issuer of a security to make timely interest or principal payments when due, or a decline or perception of a decline in the credit quality of the security, can cause the security's price to fall. The lower a security's credit rating, the greater the chance that the issuer of the security will default or fail to meet its payment obligations.

• **High yield securities risk.** High yield ("junk") securities involve greater credit risk, including the risk of default, than investment grade securities, and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates.

• **Interest rate risk.** Prices of bonds and other fixed rate fixed-income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed-income securities and, accordingly, will cause the value of the fund's investments in these securities to decline. During periods of very low interest rates, which occur from time to time due to market forces or actions of governments and/or their central banks, including the Board of Governors of the Federal Reserve System in the U.S., the fund may be subject to a greater risk of principal decline from rising interest rates. When interest rates fall, the fund's investments in new securities may be at lower yields and may reduce the fund's income. Very low or negative interest rates may magnify interest rate risk. Interest rates in the United States currently are at or near historic lows due to market forces and actions of the Board of Governors of the Federal Reserve System in the U.S., primarily in response to the COVID-19 pandemic and resultant market disruptions. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, may result in heightened market volatility and may detract from fund performance. The magnitude of these fluctuations in the market price of fixed-income securities is generally greater for securities with longer effective maturities and durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Unlike investment grade bonds, however, the prices of high yield ("junk") bonds may fluctuate unpredictably and not necessarily inversely with changes in interest rates. Interest rate changes may have different effects on the values of mortgage-related securities because of prepayment and extension risks. In addition, the rates on floating rate instruments adjust periodically with changes in market interest rates. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

• **Mortgage-related securities risk.** Mortgage-related securities are complex derivative instruments, subject to credit, prepayment and extension risk, and may be more volatile, less liquid and more difficult to price accurately than more traditional debt securities. The fund is subject to the credit risk associated with these securities, including the market's perception of the creditworthiness of the issuing federal agency, as well as the credit quality of the underlying assets.



Although certain mortgage-related securities are guaranteed as to the timely payment of interest and principal by a third party (such as a U.S. government agency or instrumentality with respect to government-related mortgage-backed securities) the market prices for such securities are not guaranteed and will fluctuate. Declining interest rates may result in the prepayment of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield and/or cause the fund's share price to fall (prepayment risk). Rising interest rates may result in a drop in prepayments of the underlying mortgages, which would increase the fund's sensitivity to rising interest rates and its potential for price declines (extension risk).

- **Asset-backed securities risk.** Asset-backed securities are subject to credit, prepayment and extension risk, and may be more volatile, less liquid and more difficult to price accurately than more traditional debt securities. General downturns in the economy could cause the value of asset-backed securities to fall. Asset-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. During periods of declining interest rates, prepayment of loans underlying asset-backed securities can be expected to accelerate. Accordingly, the fund's ability to maintain positions in such securities will be affected by reductions in the principal amount of such securities resulting from prepayments, and its ability to reinvest the returns of principal at comparable yields is subject to generally prevailing interest rates at that time.

- **Market risk.** The value of the securities in which the fund invests may be affected by political, regulatory, economic and social developments, and developments that impact specific economic sectors, industries or segments of the market. In addition, turbulence in financial markets and reduced liquidity in equity, credit and/or fixed income markets may negatively affect many issuers, which could adversely affect the fund. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide. Recent examples include pandemic risks related to COVID-19 and aggressive measures taken world-wide in response by governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged quarantines of large populations, and by businesses, including changes to operations and reducing staff.

- **Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities in a timely manner at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for below investment grade securities may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Investments in foreign securities, particularly those of issuers located in emerging markets, tend to have greater exposure to liquidity risk than domestic

securities. No active trading market may exist for some of the floating rate loans in which the fund invests and certain loans may be subject to restrictions on resale. Because some floating rate loans that the fund invests in may have a more limited secondary market, liquidity risk is more pronounced for the fund than for mutual funds that invest primarily in other types of fixed-income instruments or equity securities.

- **Foreign investment risk.** To the extent the fund invests in foreign securities, the fund's performance will be influenced by political, social and economic factors affecting investments in foreign issuers. Special risks associated with investments in foreign issuers include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political and economic instability and differing auditing and legal standards. Investments denominated in foreign currencies are subject to the risk that such currencies will decline in value relative to the U.S. dollar and affect the value of these investments held by the fund.

- **Foreign government obligations and securities of supranational entities risk.** Investing in foreign government obligations, debt obligations of supranational entities and the sovereign debt of foreign countries, including emerging market countries, creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. A governmental obligor may default on its obligations. Some sovereign obligors have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

- **Foreign currency risk.** Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Foreign currencies, particularly the currencies of emerging market countries, are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government intervention and controls.

- **Emerging market risk.** The securities of issuers located or doing substantial business in emerging market countries tend to be more volatile and less liquid than the securities of issuers located in countries with more mature economies. Emerging markets generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. Investments in these countries may be subject to political, economic, legal, market and currency risks. Special risks associated with investments in emerging market issuers may include the lack of publicly available information, the lack of uniform disclosure, accounting and financial reporting and recordkeeping standards, and limited investor protections applicable in developed economies. The risks also may include unpredictable political and economic policies, the imposition of capital controls and/or foreign investment limitations by a country, nationalization of businesses, and the imposition of sanctions or restrictions on certain investments by other countries, such as the United States.

- **Structured notes risk.** Structured notes, a type of derivative instrument, can be volatile, and the possibility of default by the financial institution or counterparty may be greater for these

instruments than for other types of money market instruments. Structured notes typically are purchased in privately negotiated transactions from financial institutions and, thus, an active trading market for such instruments may not exist.

• **Derivatives risk.** A small investment in derivatives could have a potentially large impact on the fund’s performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets, and the fund’s use of derivatives may result in losses to the fund. Derivatives in which the fund may invest can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the underlying assets or the fund’s other investments in the manner intended. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment, and involve greater risks than the underlying assets because, in addition to general market risks, they are subject to liquidity risk, credit and counterparty risk (failure of the counterparty to the derivatives transaction to honor its obligation) and pricing risk (risk that the derivative cannot or will not be accurately valued). The Securities and Exchange Commission recently adopted Rule 18f-4 under the Investment Company Act of 1940, as amended, which will regulate the use of derivatives for certain funds and may require the fund to alter, perhaps materially, its use of derivatives.

• **Floating rate loan risk.** Unlike publicly traded common stocks which trade on national exchanges, there is no central market or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. The secondary market for floating rate loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain floating rate loans may impair the ability of the fund to realize full value in the event of the need to sell a floating rate loan and may make it difficult to value such loans. There may be less readily available, reliable information about certain floating rate loans than is the case for many other types of securities, and the fund’s portfolio managers may be required to rely primarily on their own evaluation of a borrower’s credit quality rather than on any available independent sources. The value of collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet the issuer’s obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate. In the event of the bankruptcy of a borrower, the fund could experience delays or limitations imposed by bankruptcy or other insolvency laws with respect to its ability to realize the benefits of the collateral securing a loan. The floating rate loans in which the fund invests typically will be below investment grade quality and, like other below investment grade securities, are inherently speculative. As a result, the risks associated with such floating rate loans are similar to the risks of below investment grade securities, although senior loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. Floating rate loans may not be considered to be “securities” for purposes of the anti-fraud protections of the federal securities laws, including those with respect to the use of material non-public information, so that purchasers, such as the fund, may not have the benefit of these protections.

• **Issuer risk.** A security’s market value may decline for a number of reasons which directly relate to the issuer, or to factors that affect the issuer’s industry.

• **Management risk.** The investment process used by the fund’s portfolio managers could fail to achieve the fund’s investment goal and cause your fund investment to lose value.

• **Portfolio turnover risk.** The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions, and lower the fund’s after-tax performance.

• **Non-diversification risk.** The fund is non-diversified, which means that the fund may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the fund’s performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified fund.

| Fees & Expenses                                |       |
|--|-------|
| (Based on the prospectus dated April 30, 2021) |       |
| Total Annual Fund Operating Expenses .....     | 0.45% |

## 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 S&P 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The 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,** 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. The fund’s target index tracks 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 particular market sector, which would subject the fund to proportionately higher exposure to the risks of that sector.

• **Investment style risk,** which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles 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.

**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 April 29, 2021) |       |
| Total Annual Fund Operating Expenses .....     | 0.02% |

# 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 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**, 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. In addition, the fund’s target index may, at times, become focused in stocks of a particular market sector, which would subject the fund to proportionately higher exposure to the risks of that sector.
- **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.

**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 April 29, 2021)

Total Annual Fund Operating Expenses.....0.02%

## T. Rowe Price Large-Cap Growth Strategy

Program investments are invested solely in a separately managed account which follows the T. Rowe Price Large-Cap Growth Strategy. The below information is from the prospectus for the T. Rowe Price Large-Cap Growth Fund and not the T. Rowe Price Large-Cap Growth Strategy. Although the T. Rowe Price Large-Cap Growth Strategy and the T. Rowe Price Large-Cap Growth Fund are not identical, they are similar in nature and investment approach.

## Investment Objective(s)

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

## Principal Investment Strategies

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, 2020, the median market capitalization of companies in the Russell 1000® Growth Index was approximately \$16.7 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.

While most assets will typically be invested in U.S. common stocks, the fund may invest in foreign stocks in keeping with its objective(s). The fund’s investments may include holdings in privately held companies and companies that only recently began to trade publicly.

## Principal Risks

As with any fund, there is no guarantee that the fund will achieve its objective(s). 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, which may be even greater during periods of market disruption or volatility, are summarized as follows:

**Growth investing risk.** 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 conditions risk.** The value of the fund’s investments may decrease, sometimes rapidly or unexpectedly, due to factors affecting an issuer held by the fund, particular industries, or the overall securities markets. A variety of factors can increase the volatility of the fund’s holdings and markets generally, including political or regulatory developments, recessions, inflation, rapid interest rate changes, war or acts of terrorism, natural disasters, and outbreaks of infectious illnesses or other widespread public health issues such as the coronavirus pandemic and related governmental and public responses. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others. Government intervention in markets may impact interest rates, market volatility, and security pricing. These adverse developments may cause broad declines in market value due to short-term market movements or for significantly longer periods during more prolonged market downturns.



**Stock investing risk.** 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 stocks held by the fund may decline due to general weakness or volatility in the stock markets in which the fund invests or because of factors that affect a particular company or industry.

**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 similar fund that is more broadly diversified.

**Large-cap stocks risk.** 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 exposure risk.** At times, the fund may have a significant portion of its assets invested in securities of issuers conducting business in a broadly related group of industries within the same economic sector. Issuers 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. Investments in the technology sector are susceptible to intense competition, government regulation, changing consumer preferences, and dependency on patent protection. Investments in the healthcare sector are susceptible to intense competition, regulatory changes and government approvals, product liability, and product obsolescence.

**Foreign investing risk.** Investments in the securities of non-U.S. issuers 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. The risks of investing outside the U.S. are heightened for any investments in emerging markets, which are susceptible to greater volatility than investments in developed markets.

**Private placements and IPOs risk.** Investments in the stocks of privately held companies and in companies that only recently began to publicly trade, such as initial public offerings or IPOs, involve greater risks than investments in stocks of companies that have traded publicly on an exchange for extended time periods. There is significantly less information available about these companies' business models, quality of management, earnings growth potential, and other criteria that are normally considered when evaluating the investment prospects of a company. Private placements and other restricted securities held by the fund are typically considered to be illiquid and tend to be difficult to value since there are no market prices and less overall financial information available. The adviser evaluates a variety of factors when assigning a value to these holdings, but the determination involves some degree of subjectivity and the value assigned for the fund may differ from the value assigned by other mutual funds holding the same security.

**Liquidity risk.** A particular investment or an entire market segment may become less liquid or even illiquid, sometimes

abruptly, which could limit the fund's ability to purchase or sell holdings in a timely manner at a desired price. An inability to sell a portfolio holding can adversely affect the fund's overall value or prevent the fund from being able to take advantage of other investment opportunities. Liquidity risk may be magnified during periods of substantial market volatility and unexpected episodes of illiquidity may limit the fund's ability to pay redemption proceeds without selling holdings at an unfavorable time or at a suitable price. Large redemptions may also have a negative impact on the fund's overall liquidity.

**Active management risk.** The fund's overall investment program and holdings selected by the fund's investment adviser may underperform the broad markets, relevant indices, or other funds with similar objectives and investment strategies.

**Cybersecurity breaches risk.** The fund could be harmed by intentional cyberattacks and other cybersecurity breaches, including unauthorized access to the fund's assets, customer data and confidential shareholder information, or other proprietary information. In addition, a cybersecurity breach could cause one of the fund's service providers or financial intermediaries to suffer unauthorized data access, data corruption, or loss of operational functionality.

| Fees & Expenses  |       |
|--|-------|
| (Based on the estimated total operating expenses May1, 2021) |       |
| Total Annual Fund Operating Expenses .....                   | 0.33% |

## 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, 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 Series 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, relative price, profitability, and other factors that the advisor determines to be appropriate. The advisor may overweight certain stocks, including smaller companies, lower relative price stocks, and/or higher profitability stocks within the large-cap value segment of the U.S. market. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its book value. In assessing relative price, the advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the advisor considers different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the advisor



uses for assessing relative price and 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 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 or equal to 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 eligible U.S. operating companies listed on a securities exchange in the United States that is deemed appropriate by the advisor. Under the advisor’s market capitalization guidelines described above, based on market capitalization data as of December 31, 2020, the market capitalization of a large cap company would be \$8,044 million or above. This threshold 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 increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the Series or Portfolio.

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 U.S. Large Cap Value 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 tend 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 an investment strategy purchasing these securities may cause the Series to at times underperform equity funds that use other investment strategies. Value stocks can react differently to political, economic, and industry developments than the market as a whole and other types of stocks. Value stocks also may underperform the market for long periods of time.

**Profitability Investment Risk:** High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the Series to at times underperform equity funds that use other investment strategies.

**Derivatives Risk:** Derivatives are instruments, such as futures contracts, and options thereon, 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 the 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, as well as 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 U.S. Large Cap Value 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.

**Operational Risk:** Operational risks include human error, changes in personnel, system changes, faults in communication, and failures in systems, technology, or processes. Various operational events or circumstances are outside the advisor’s control, including instances at third parties. The U.S. Large Cap Value Portfolio and the advisor seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address these risks.

**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 U.S. Large Cap Value Portfolio and/or its service providers to suffer data corruption or lose operational functionality.

| Fees & Expenses                                   |       |
|---|-------|
| (Based on the prospectus dated February 28, 2021) |       |
| Total Annual Fund Operating Expenses.....         | 0.22% |
| After Fee Waivers and/or Expense Reimbursements   |       |

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 common stocks for the 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:

- **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.

• **Investment style risk**, which is the chance that returns from small- and mid-capitalization growth stocks will trail returns from the overall stock market. Historically, small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently. The stock prices of small and mid-size companies tend to experience greater volatility because, among other things, these companies tend to be more sensitive to changing economic conditions.

• **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. In addition, significant investments in the industrials and information technology sectors subject the fund to proportionately higher exposure to the risks of these sectors.

**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 February 26, 2021)

Total Annual Fund Operating Expenses.....0.30%

## DFA U.S. Targeted Value Portfolio

### Investment Objective

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

### Principal Investment Strategies

The U.S. Targeted Value Portfolio, using a market capitalization weighted approach, purchases a broad and diverse group of the readily marketable securities of U.S. small and mid cap companies that Dimensional Fund Advisors LP (the “advisor”) determines to be value stocks with higher profitability. 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 eligible company, the greater its representation in the U.S. Targeted Value Portfolio. The advisor may adjust the representation in the portfolio of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, size, relative price, profitability, investment characteristics, and other factors that the advisor determines to be appropriate. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its book value. In assessing relative price, the advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the advisor considers different ratios, such as that of earnings or profits from operations relative to book value or assets. In assessing a company’s investment characteristics, the advisor considers ratios such as recent changes in assets divided by total assets. The criteria the advisor uses for assessing relative price, profitability, and investment characteristics are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the U.S. Targeted Value Portfolio will invest at least 80% of its net assets in securities of U.S. companies. As of the date of the prospectus, the advisor considers for investment companies whose market capitalizations are generally smaller than the 500th largest U.S. company. As of December 31, 2020,

companies smaller than the 500th largest U.S. company fall in the lowest 13% of total U.S. market capitalization. Total market capitalization is based on the market capitalization of eligible U.S. operating companies listed on a securities exchange in the United States that is deemed appropriate by the advisor. Based on market capitalization data as of December 31, 2020, the market capitalization of a company smaller than the 500th largest U.S. company would be below \$11,685 million. This threshold will change due to market conditions.

The U.S. Targeted Value Portfolio may purchase or sell futures contracts and options on futures contracts for U.S. equity securities and indices, to increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the portfolio.

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

### Principal Risks

Because the value of your investment in the U.S. Targeted Value 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 tend to move in cycles, with periods of rising prices and periods of falling prices.

**Small and Mid-Cap Company Risk:** Securities of small and mid-cap companies are often less liquid than those of large companies and this could make it difficult to sell a small or mid-cap company security at a desired time or price. As a result, small and mid-cap company stocks may fluctuate relatively more in price. In general, small and mid-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 an investment strategy purchasing these securities may cause the series to at times underperform equity funds that use other investment strategies. Value stocks can react differently to political, economic, and industry developments than the market as a whole and other types of stocks. Value stocks also may underperform the market for long periods of time.

**Profitability Investment Risk:** High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the series to at times underperform equity funds that use other investment strategies.

**Derivatives Risk:** Derivatives are instruments, such as futures contracts, and options thereon, 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 series and the portfolio use 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, as well as 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 series may lose money and there may be a delay in recovering the loaned securities. The 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.

**Operational Risk:** Operational risks include human error, changes in personnel, system changes, faults in communication, and failures in systems, technology, or processes. Various operational events or circumstances are outside the advisor’s control, including instances at third parties. The portfolio and the advisor seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address these risks.

**Cyber Security Risk:** The 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.

|   |       |
|---|-------|
| <b>Fees &amp; Expenses</b>                        |       |
| (Based on the prospectus dated February 28, 2021) |       |
| Total Annual Fund Operating Expenses.....         | 0.33% |

Ariel Fund

Investment Objective

Ariel Fund’s fundamental objective is long-term capital appreciation.

Principal Investment Strategy

The fund invests in small- and mid-capitalization (“small/mid cap”) undervalued companies that show strong potential for growth. The fund invests primarily in equity securities of U.S. companies that have market capitalizations within the range of the companies in the Russell 2500TM Index, measured at the time of initial purchase. As of December 31, 2020, the market capitalizations of the companies in the Russell 2500 Index ranged from \$43 million to \$30.16 billion. The fund may invest a portion of the portfolio outside (above or below) this market capitalization range. Also, the market capitalizations for the fund’s portfolio companies may change over time, and the fund is permitted to invest in (hold and purchase) a company even if its market capitalization moves outside the stated range.

The essence of the fund’s strategy is a combination of patience and stock selection. The fund seeks to hold investments for a relatively long period of time—generally five years. However, the holding period may vary for any particular stock.

The fund seeks to invest in quality companies in industries in which Ariel Investments, LLC (“Ariel” or the “advisor”) has expertise. This often results in the fund investing a significant portion of its assets among fewer sectors than its benchmarks. The fund buys a

company when it is selling at a discount to Ariel’s estimate of its private market value.

Quality companies typically share several attributes that Ariel believes will result in capital appreciation over time: high barriers to entry, sustainable competitive advantages, predictable fundamentals that allow for the potential for double-digit earnings growth (at time of initial purchase), skilled management teams, and solid financials. A high barrier to entry may exist where, for example, significant capital is required for new companies to enter a particular marketplace, thus giving companies already within the marketplace a perceived competitive advantage. Ariel’s strategy to focus on a limited number of companies and industries is designed to add value in areas in which we have expertise. We believe this approach creates a portfolio of well-researched stocks. As disciplined value investors, we make opportunistic purchases when great companies are temporarily out of favor—generally seeking to invest in companies that are trading at a low valuation relative to potential earnings and/or a low valuation relative to intrinsic worth.

The primary reasons we will sell a stock are: (i) if its valuation reaches our determination of its private market value, (ii) if a better opportunity for investment presents itself, or (iii) if there are material adverse changes to a company’s fundamentals. In addition, the adviser has adopted procedures to sell stocks that it views as substantially outside the strategy’s small/mid cap range.

The fund does not invest in companies whose primary source of revenue is derived from the production or sale of tobacco products or the manufacture of firearms. We believe these industries may be more likely to face shrinking growth prospects, litigation costs and legal liability that cannot be quantified.

The fund is a diversified fund that generally will hold between 25-45 securities in its portfolio.

Principal Risks

Although Ariel makes every effort to achieve the fund’s objective of long-term capital appreciation, Ariel cannot guarantee it will attain that objective. You could lose money by investing in the fund. The principal risks of investing in the fund are:

- Small/mid cap stocks held by the fund could fall out of favor and returns would subsequently trail returns of the overall stock market. The performance of such stocks could also be more volatile. Small/mid cap stocks often have less predictable earnings, more limited product lines and markets, and more limited financial and management resources than large cap stocks.
- The intrinsic value of the stocks in which the fund invests may never be recognized by the broader market.
- The fund is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.
- Investing in equity securities is risky and subject to the volatility of the markets. Equity securities represent an ownership position in a company. The prices of equity securities fluctuate based on changes in the financial condition of their issuers and on market and economic conditions. Furthermore, when the stock market declines, most equity securities, even those issued by strong companies, often will decline in value.

You should consider investing in the fund if you are looking for long-term capital appreciation and are willing to accept the associated risks.



### Fees & Expenses

(Based on the prospectus dated February 1, 2021)

Total Annual Fund Operating Expenses.....0.72%

## 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 Index, an index that 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 include specialized REITs, and real estate management and development companies.

The fund attempts to track 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**, which is the chance that the stocks of REITs and other real estate-related investments will decline because of adverse developments affecting the real estate industry and real property values. Because the fund concentrates its assets in these stocks, industry concentration risk is high.
- **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. The fund's target index may, at times, become focused in stocks of a limited number of companies, which could cause the fund to underperform the overall stock market.
- **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.
- **Interest rate risk**, which is the chance that REIT stock prices overall will decline and that the cost of borrowing for REITs will increase because of rising interest rates. Interest rate risk is high for the fund.
- **Investment style risk**, which is the chance that returns from the stocks of REITs and other real estate-related investments—which typically are small- or mid-capitalization stocks—will trail returns from the overall stock market. Historically, these stocks have performed quite differently from the overall market.

• **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. 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.

**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 28, 2021)

Total Annual Fund Operating Expenses.....0.10%

## DWS RREEF Global Real Estate Securities Fund

### Investment Objective

The fund's investment objective is to seek total return through a combination of current income and long-term capital appreciation.

### Principal Investment Strategy

**Main investments.** Under normal circumstances, the fund will invest at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity and debt securities issued by real estate companies, such as real estate investment trusts (REITs), REIT-like structures or real estate operating companies. A company will be considered a real estate company if, in the opinion of portfolio management, at least 50% of its revenues or at least 50% of the market value of its assets at the time the security is purchased are attributable to the ownership, construction, financing, management or sale of real estate or such other activities that are primarily related to real estate. The fund may invest without limitation in securities of companies engaged principally in the real estate industry.

The fund may also invest a portion of its assets in other types of securities. These securities may include short-term securities, bonds, notes, securities of companies not principally engaged in the real estate industry and other similar securities. The fund allocates its assets among various regions and countries, including potentially emerging market countries, and normally invests a significant amount of its assets in non-US issuers.

**Management process.** In choosing securities, portfolio management uses a combination of two analytical disciplines:

**Top-down research.** Portfolio management analyzes market-wide investment conditions to arrive at the fund's weighting across regional markets (i.e., the portfolio weighting across investments in the Americas, Europe, Asia and Australia), and, within these regions, its strategy across investment sectors, such as office, industrial, retail, hospitality and residential apartment real estate sectors.

**Bottom-up research.** Portfolio management analyzes characteristics and investment prospects of a particular security relative to others in its local market to actively manage the fund's exposure to individual securities within each region. Disciplined valuation analysis drives this decision-making process, guiding portfolio management to invest in securities they believe can provide superior returns over the long-term, and to sell those that they believe no longer represent the strongest prospects.

Portfolio management may consider information about Environmental, Social and Governance (ESG) issues in



its fundamental research process and when making investment decisions.

**Securities lending.** The fund may lend securities (up to one-third of total assets) to approved institutions, such as registered broker-dealers, banks and pooled investment vehicles.

**Active trading.** The fund may trade securities actively and this may lead to high portfolio turnover.

#### **Main Risks.**

There are several risk factors that could hurt the fund's performance, cause you to lose money or cause the fund's performance to trail that of other investments. The fund may not achieve its investment objective and is not intended to be a complete investment program. 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 governmental agency.

**Stock market risk.** When stock prices fall, you should expect the value of your investment to fall as well. Stock prices can be hurt by poor management on the part of the stock's issuer, shrinking product demand and other business risks. These may affect single companies as well as groups of companies. The market as a whole may not favor the types of investments the fund makes, which could adversely affect a stock's price, regardless of how well the company performs, or the fund's ability to sell a stock at an attractive price. 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. Events in the US and global financial markets, including actions taken by the US Federal Reserve or foreign central banks to stimulate or stabilize economic growth, may at times result in unusually high market volatility which could negatively affect performance. High market volatility may also result from significant shifts in momentum of one or more specific stocks due to unusual increases or decreases in trading activity. Momentum can change quickly, and securities subject to shifts in momentum may be more volatile than the market as a whole and returns on such securities may drop precipitously. To the extent that the fund invests in a particular geographic region, capitalization or sector, the fund's performance may be affected by the general performance of that region, capitalization or sector.

**Market disruption risk.** Geopolitical and other events, including war, terrorism, economic uncertainty, trade disputes, public health crises and related geopolitical events have led, and in the future may lead, to disruptions in the US and world economies and markets, which may increase financial market volatility and have significant adverse direct or indirect effects on the fund and its investments. Market disruptions could cause the fund to lose money, experience significant redemptions, and encounter operational difficulties. Although multiple asset classes may be affected by a market disruption, the duration and effects may not be the same for all types of assets.

Recent market disruption events include the pandemic spread of the novel coronavirus known as COVID-19, and the significant uncertainty, market volatility, decreased economic and other activity and increased government activity that it has caused. Specifically, COVID-19 has led to significant death and morbidity, and concerns about its further spread have resulted in the closing of schools and non-essential businesses, cancellations, shelter-in-place orders, lower consumer spending in certain sectors, social distancing, bans on large social gatherings and travel, quarantines, government

economic stimulus measures, reduced productivity, rapid increases in unemployment, increased demand for and strain on government and medical resources, border closings and global trade and supply chain interruptions, among others. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve. The pandemic may affect certain countries, industries, economic sectors, companies and investment products more than others, may exacerbate existing economic, political, or social tensions and may increase the probability of an economic recession or depression. The fund and its investments may be adversely affected by the effects of the COVID-19 pandemic, and a prolonged pandemic may result in the fund and its service providers experiencing operational difficulties in coordinating a remote workforce and implementing their business continuity plans, among others.

The disruptions caused by the COVID-19 pandemic may magnify the impact of each of the other risks described in this "MAIN RISKS" section and may increase volatility in one or more markets in which the fund invests leading to the potential for greater losses for the fund.

**Concentration risk.** Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Any market price movements, regulatory or technological changes, or economic conditions affecting the particular segment of the market in which the fund concentrates may have a significant impact on the fund's performance.

**Real estate securities risk.** The fund may invest without limitation in securities of companies engaged principally in the real estate industry, and will therefore be susceptible to adverse economic, business, regulatory or other occurrences affecting real estate companies. Real estate companies, including REITs, can be affected by the risks associated with direct ownership of real estate, such as general or local economic conditions, decreases in real estate value, increases in property taxes and operating expenses, liabilities or losses due to environmental problems, delays in completion of construction, falling rents (whether due to poor demand, increased competition, overbuilding, or limitations on rents), zoning changes, rising interest rates, lack of credit, failure of borrowers to repay loans and losses from casualty or condemnation. Real estate companies may be adversely affected by the recent pandemic spread of the novel coronavirus known as COVID-19, which has led to decreased economic activity, widespread business and other closures and rapid increases in unemployment that may cause increased defaults on rent, loans or other obligations and increase the probability of an economic recession or depression. In addition, many real estate companies, including REITs, utilize leverage which increases investment risk. Highly leveraged real estate companies are particularly vulnerable to the effects of an economic downturn (including an economic downturn caused by the COVID-19 pandemic). Further, REITs are dependent upon management skills, may not be diversified and may have relatively small market capitalizations, which can increase volatility. REITs must satisfy certain requirements in order to qualify for favorable tax treatment under applicable tax laws, and a failure to qualify could adversely affect the value of the REIT. By investing in REITs through a fund, a shareholder will bear expenses of the REITs in addition to expenses of the fund and will not be entitled to the federal income tax deduction

for qualified REIT dividends available to noncorporate investors that own REITs directly unless certain holding period and other requirements are satisfied.

**Foreign investment risk.** The fund faces the risks inherent in foreign investing. Adverse political, economic or social developments, as well as US and foreign government actions such as the imposition of tariffs, economic and trade sanctions or embargoes, could undermine the value of the fund's investments, prevent the fund from realizing the full value of its investments or prevent the fund from selling securities it holds. In June 2016, citizens of the United Kingdom approved a referendum to leave the European Union (EU) and in March 2017, the United Kingdom initiated the formal process of withdrawing from the EU. On January 31, 2020, the United Kingdom officially withdrew from the EU pursuant to a withdrawal agreement, providing for a transition period in which the United Kingdom negotiated and finalized a trade deal with the EU, the EU-UK Trade and Cooperation Agreement (the Trade Agreement), provisionally applied effective January 1, 2021. As a result, as of January 1, 2021 the United Kingdom is no longer part of the EU customs union and single market, nor is it subject to EU policies and international agreements. Among other things, the Trade Agreement provides for zero tariffs and zero quotas on all goods that comply with appropriate rules of origin and establishes the treatment and level of access the United Kingdom and EU have agreed to grant each other's service suppliers and investors. In addition to trade in goods and services and investment, the Trade Agreement also covers digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in EU programs. Even with the Trade Agreement in place, the United Kingdom's withdrawal from the EU may create new barriers to trade in goods and services and to cross-border mobility and exchanges, including with respect to trade in financial services which is not comprehensively addressed in the Trade Agreement and remains subject to negotiation between the United Kingdom and the EU. The long-term impact of the United Kingdom's withdrawal from the EU is still unknown and could have adverse economic and political effects on the United Kingdom, the EU and its member countries, and the global economy, including financial markets and asset valuations.

Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than US markets. To the extent that the fund invests in non-US dollar denominated foreign securities, changes in currency exchange rates may affect the US dollar value of foreign securities or the income or gain received on these securities. In addition, because non-US markets may be open on days when the fund does not price its shares, the value of the securities in the fund's portfolio may change on days when shareholders will not be able to purchase or sell the fund's shares.

**Emerging markets risk.** Foreign investment risks are greater in emerging markets than in developed markets. Investments in emerging markets are often considered speculative.

**Currency risk.** Changes in currency exchange rates may affect the value of the fund's investments and the fund's share price. The value of currencies are influenced by a variety of factors, that include: interest rates, national debt levels and trade deficits,

changes in balances of payments and trade, domestic and foreign interest and inflation rates, global or regional political, economic or financial events, monetary policies of governments, actual or potential government intervention, global energy prices, political instability and government monetary policies and the buying or selling of currency by a country's government. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the US dollar or, in the case of hedged positions, that the US dollar will decline relative to the currency being hedged. Currency exchange rates can be volatile and can change quickly and unpredictably, thereby impacting the value of the fund's investments.

**Security selection risk.** The securities in the fund's portfolio may decline in value. Portfolio management could be wrong in its analysis of industries, companies, economic trends, the relative attractiveness of different securities or other matters.

**Small company risk.** Small company stocks tend to be more volatile than medium-sized or large company stocks. Because stock analysts are less likely to follow small companies, less information about them is available to investors. Industry-wide reversals may have a greater impact on small companies, since they may lack the financial resources of larger companies. Small company stocks are typically less liquid than large company stocks.

**Interest rate risk.** When interest rates rise, prices of debt securities generally decline. The longer the duration of the fund's debt securities, the more sensitive the fund will be to interest rate changes. (As a general rule, a 1% rise in interest rates means a 1% fall in value for every year of duration.) Recent and potential future changes in monetary policy made by central banks or governments are likely to affect the level of interest rates. Rising interest rates may prompt redemptions from the fund, which may force the fund to sell investments at a time when it is not advantageous to do so, which could result in losses. The fund may be subject to a greater risk of rising interest rates following periods of low rates, including the current low rate period. In addition, in response to the COVID-19 pandemic, as with other serious economic disruptions, governmental authorities and regulators are enacting significant fiscal and monetary policy changes, including providing direct capital infusions into companies, creating new monetary programs and lowering interest rates considerably. If these actions are unexpectedly or suddenly reversed or are ineffective in achieving their desired outcomes, the fund could be adversely affected by periods of heightened volatility and uncertainty.

**Liquidity risk.** In certain situations, it may be difficult or impossible to sell an investment and/or the fund may sell certain investments at a price or time that is not advantageous in order to meet redemption requests or other cash needs. Unusual market conditions, such as an unusually high volume of redemptions or other similar conditions could increase liquidity risk for the fund.

**Credit risk.** The fund's performance could be hurt if an issuer of a debt security suffers an adverse change in financial condition that results in the issuer not making timely payments of interest or principal, a security downgrade or an inability to meet a financial obligation. Credit risk is greater for lower-rated securities.

Because the issuers of high-yield debt securities, or junk bonds (debt securities rated below the fourth highest credit rating category), may be in uncertain financial health, the prices of their debt securities can be more vulnerable to bad economic

news, or even the expectation of bad news, than investment-grade debt securities. Credit risk for high-yield securities is greater than for higher-rated securities.

**Counterparty risk.** A financial institution or other counterparty with whom the fund does business, or that underwrites, distributes or guarantees any investments or contracts that the fund owns or is otherwise exposed to, may decline in financial health and become unable to honor its commitments. This could cause losses for the fund or could delay the return or delivery of collateral or other assets to the fund.

**Pricing risk.** If market conditions make it difficult to value some investments, the fund may value these investments using more subjective methods, such as fair value pricing. In such cases, the value determined for an investment could be different from the value realized upon such investment’s sale. As a result, you could pay more than the market value when buying fund shares or receive less than the market value when selling fund shares.

**Securities lending risk.** Any decline in the value of a portfolio security that occurs while the security is out on loan is borne by the fund and will adversely affect performance. Also, there may be delays in recovery of securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially while holding the security.

**ESG investing risk.** When portfolio management considers ESG factors in its fundamental research process and when making investment decisions, there is a risk that the fund may forgo otherwise attractive investment opportunities or increase or decrease its exposure to certain types of issuers and, therefore, may underperform funds that do not consider ESG factors.

**Operational and technology risk.** Cyber-attacks, disruptions or failures that affect the fund’s service providers or counterparties, issuers of securities held by the fund, or other market participants may adversely affect the fund and its shareholders, including by causing losses for the fund or impairing fund operations. For example, the fund’s or its service providers’ assets or sensitive or confidential information may be misappropriated, data may be corrupted and operations may be disrupted (e.g., cyberattacks, operational failures or broader disruptions may cause the release of private shareholder information or confidential fund information, interfere with the processing of shareholder transactions, impact the ability to calculate the fund’s net asset value and impede trading). Market events and disruptions also may trigger a volume of transactions that overloads current information technology and communication systems and processes, impacting the ability to conduct the fund’s operations.

While the fund and its service providers may establish business continuity and other plans and processes that seek to address the possibility of and fallout from cyberattacks, disruptions or failures, there are inherent limitations in such plans and systems, including that they do not apply to third parties, such as fund counterparties, issuers of securities held by the fund or other market participants, as well as the possibility that certain risks have not been identified or that unknown threats may emerge in the future and there is no assurance that such plans and processes will be effective. Among other situations, disruptions (for example, pandemics or health crises) that cause prolonged periods of remote work or significant employee absences at the fund’s service providers could impact the ability to conduct the fund’s operations. In addition, the fund cannot directly control any cybersecurity plans and systems put in place by its

service providers, fund counterparties, issuers of securities held by the fund or other market participants.

**Active trading risk.** Active securities trading could raise transaction costs (thus lowering returns) and could mean increased taxable distributions to shareholders and distributions that will be taxable to shareholders at higher federal income tax rates.

| Fees & Expenses                                 |       |
|---|-------|
| (Based on the prospectus dated May 1, 2021)     |       |
| Total Annual Fund Operating Expenses.....       | 0.95% |
| After Fee Waivers and/or Expense Reimbursements |       |

## 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 7,284 stocks of companies located in 48 markets. As of October 31, 2020, the largest markets covered in the Index were Japan, China, the United Kingdom, Canada, Switzerland, and France (which made up approximately 17.2%, 12.3%, 8.8%, 6.4%, 5.9%, and 5.8%, 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 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**, 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. The fund’s investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions. In addition, the fund’s target index may, at times, become focused in stocks of a particular market sector, which would subject the fund to proportionately higher exposure to the risks of that sector.
- **Investment style risk**, which is the chance that returns from non-U.S. small- and mid-capitalization stocks will trail returns from global stock markets. Historically, non-U.S. small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the global markets, and they often perform quite differently.
- **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.

- **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.

- **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, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

**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 February 26, 2021)

Total Annual Fund Operating Expenses.....0.07%

## Invesco Oppenheimer International Growth Fund

### Investment Objective

The fund's investment objective is to seek capital appreciation.

### Principal Investment Strategies of the Fund

The fund mainly invests in the common stock of growth companies that are domiciled or have their primary operations outside of the United States. The fund may invest 100% of its assets in securities of foreign companies. The fund may invest in emerging markets (i.e., those that are generally in the early stages of their industrial cycles) as well as in developed markets throughout the world. From time to time it may place greater emphasis on investing in one or more particular regions such as Asia or Europe. Under normal market conditions the fund will:

- invest at least 65% of its total assets in common and preferred stocks of issuers in at least three different countries outside of the United States, and
- emphasize investments in common stocks of issuers that the portfolio managers consider to be "growth" companies.

The fund does not limit its investments to issuers within a specific market capitalization range and at times may invest a substantial portion of its assets in one or more particular capitalization ranges. The fund can also buy securities convertible into common stock and other securities having equity features.

In selecting investments for the fund's portfolio, the portfolio managers evaluate investment opportunities on a company-by-company basis. The portfolio managers look primarily for foreign companies with high growth potential using a "bottom up" investment approach, that is, by looking at the investment performance of individual stocks before considering the impact of general or industry-specific economic trends. This approach includes fundamental analysis of a company's financial

statements and management structure and consideration of the company's operations, product development, and industry position.

The portfolio managers currently focus on the following factors, which may vary in particular cases and may change over time:

- companies that enjoy a strong competitive position and high demand for their products or services;
- companies with accelerating earnings growth and cash flow; and
- diversity among companies, industries and countries to help reduce the risks of foreign investing, such as currency fluctuations and stock market volatility.

The portfolio managers also consider the effect of worldwide trends on the growth of particular business sectors and look for companies that may benefit from those trends. The trends currently considered include: mass affluence, new technologies, restructuring and aging. The portfolio managers do not invest any fixed amount of the fund's assets according to these criteria and the trends that are considered may change over time. The portfolio managers monitor individual issuers for changes in the factors above, which may trigger a decision to sell a security, but does not require a decision to do so.

### Principal Risks of Investing in the Fund

As with any mutual fund investment, loss of money is a risk of investing. An investment in the fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. The risks associated with an investment in the fund can increase during times of significant market volatility. The principal risks of investing in the fund are:

**Market Risk.** The market values of the fund's investments, and therefore the value of the fund's shares, will go up and down, sometimes rapidly or unpredictably. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole. The value of the fund's investments may go up or down due to general market conditions which are not specifically related to the particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates, regional or global instability, natural or environmental disasters, widespread disease or other public health issues, war, acts of terrorism or adverse investor sentiment generally. Individual stock prices tend to go up and down more dramatically than those of certain other types of investments, such as bonds. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the fund will rise in value.

**Investing in Stocks Risk.** The value of the fund's portfolio may be affected by changes in the stock markets. Stock markets may experience significant short-term volatility and may fall or rise sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

The prices of individual stocks generally do not all move in the same direction at the same time. However, individual stock prices tend to go up and down more dramatically than those



of certain other types of investments, such as bonds. A variety of factors can negatively affect the price of a particular company's stock. These factors may include, but are not limited to: poor earnings reports, a loss of customers, litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry. To the extent that securities of a particular type are emphasized (for example foreign stocks, stocks of small- or mid-cap companies, growth or value stocks, or stocks of companies in a particular industry), fund share values may fluctuate more in response to events affecting the market for those types of securities.

**Preferred Securities Risk.** Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities. Preferred securities also may be subordinated to bonds or other debt instruments, subjecting them to a greater risk of non-payment, may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer.

**Risks of Foreign Investing.** Foreign securities are subject to special risks. Securities traded in foreign markets may be less liquid and more volatile than those traded in U.S. markets. Foreign issuers are usually not subject to the same accounting and disclosure requirements that U.S. companies are subject to, which may make it difficult for the fund to evaluate a foreign company's operations or financial condition. A change in the value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of investments denominated in that foreign currency and in the value of any income or distributions the fund may receive on those investments. The value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transaction and other costs, delays in the settlement of transactions, changes in economic or monetary policy in the United States or abroad, expropriation or nationalization of a company's assets, or other political and economic factors. In addition, due to the inter-relationship of global economies and financial markets, changes in political and economic factors in one country or region could adversely affect conditions in another country or region. Investments in foreign securities may also expose the fund to time-zone arbitrage risk. Foreign securities may trade on weekends or other days when the fund does not price its shares. As a result, the value of the fund's net assets may change on days when you will not be able to purchase or redeem the fund's shares. At times, the fund may emphasize investments in a particular country or region and may be subject to greater risks from adverse events that occur in that country or region. Foreign securities and foreign currencies held in foreign banks and securities depositories may be subject to only limited or no regulatory oversight.

**Eurozone Investment Risks.** Certain of the regions in which the fund may invest, including the European Union (EU), currently experience significant financial difficulties. Following the global economic crisis that began in 2008, some of these countries have depended on, and may continue to be dependent on, the assistance from others such as the European Central Bank (ECB) or other governments or institutions, and failure to implement reforms as a condition of assistance could have a significant adverse effect on the value of investments in those and other European countries. In addition, countries that have adopted the euro are subject to fiscal and monetary controls that could limit the ability to implement their own economic

policies, and could voluntarily abandon, or be forced out of, the euro. Such events could impact the market values of Eurozone and various other securities and currencies, cause redenomination of certain securities into less valuable local currencies, and create more volatile and illiquid markets. Additionally, the United Kingdom's departure from the EU, commonly known as "Brexit," may have significant political and financial consequences for Eurozone markets, including greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence and an increased likelihood of a recession in the United Kingdom.

**Risks of Developing and Emerging Markets.** Investments in developing and emerging markets are subject to all the risks associated with foreign investing, however, these risks may be magnified in developing and emerging markets. Developing or emerging market countries may have less well developed securities markets and exchanges that may be substantially less liquid than those of more developed markets, and investments in such securities markets may be subject to unexpected market closures. Settlement procedures in developing or emerging markets may differ from those of more established securities markets, and settlement delays may result in the inability to invest assets or to dispose of portfolio securities in a timely manner. Securities prices in developing or emerging markets may be significantly more volatile than is the case in more developed nations of the world, and governments of developing or emerging market countries may also be more unstable than the governments of more developed countries. Such countries' economies may be more dependent on relatively few industries or investors that may be highly vulnerable to local and global changes. Developing or emerging market countries also may be subject to social, political or economic instability. The value of developing or emerging market countries' currencies may fluctuate more than the currencies of countries with more mature markets. Investments in developing or emerging market countries may be subject to greater risks of government restrictions, including confiscatory taxation, expropriation or nationalization of a company's assets, restrictions on foreign ownership of local companies, restrictions on withdrawing assets from the country, protectionist measures, and practices such as share blocking. The ability to bring and enforce actions in developing and emerging market countries, or to obtain information needed to pursue or enforce such actions, may be limited. In addition, the ability of foreign entities to participate in privatization programs of certain developing or emerging market countries may be limited by local law. Other risks may include additional transaction costs and difficulty related to the quality, availability and timeliness of information. Investments in securities of issuers in developing or emerging market countries may be considered speculative. Companies in developing and emerging market countries may also generally be subject to less stringent regulatory, disclosure, financial reporting, accounting, auditing and recordkeeping standards than companies in more developed countries. As a result, information, including financial information, about such companies may be less available and reliable which can impede the fund's ability to evaluate such companies.

**Risks of Growth Investing.** If a growth company's earnings or stock price fails to increase as anticipated, or if its business plans do not produce the expected results, the value of its

## Fees & Expenses

(Based on the prospectus dated February 26, 2021)

Total Annual Fund Operating Expenses..... 0.69%

securities may decline sharply. Growth companies may be newer or smaller companies that may experience greater stock price fluctuations and risks of loss than larger, more established companies. Newer growth companies tend to retain a large part of their earnings for research, development or investments in capital assets. Therefore, they may not pay any dividends for some time. Growth investing has gone in and out of favor during past market cycles and is likely to continue to do so. During periods when growth investing is out of favor or when markets are unstable, it may be more difficult to sell growth company securities at an acceptable price. Growth stocks may also be more volatile than other securities because of investor speculation.

**Small- and Mid-Capitalization Companies Risks.** Investing in securities of small- and mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. Stocks of small- and mid-capitalization companies tend to be more vulnerable to changing market conditions, may have little or no operating history or track record of success, and may have more limited product lines and markets, less experienced management and fewer financial resources than larger companies. These companies' securities may be more volatile and less liquid than those of more established companies. They may be more sensitive to changes in a company's earnings expectations and may experience more abrupt and erratic price movements. Smaller companies' securities often trade in lower volumes and in many instances, are traded over-the-counter or on a regional securities exchange, where the frequency and volume of trading is substantially less than is typical for securities of larger companies traded on national securities exchanges. Therefore, the securities of smaller companies may be subject to wider price fluctuations and it might be harder for the fund to dispose of its holdings at an acceptable price when it wants to sell them. Since small- and mid-cap companies typically reinvest a high proportion of their earnings in their business, they may not pay dividends for some time, particularly if they are newer companies. It may take a substantial period of time to realize a gain on an investment in a small- or mid-cap company, if any gain is realized at all. The fund measures the market capitalization of an issuer at the time of investment.

**Industry and Sector Focus.** The fund may from time to time have a significant amount of its assets invested in a particular industry or sector. The prices of stocks of issuers in a particular industry or sector may go up and down in response to changes in economic conditions, government regulations, availability of basic resources or supplies, or other events that affect that industry or sector more than others. To the extent that the fund has a significant amount of its assets invested in a particular industry or sector, its share values may fluctuate in response to events affecting that industry or sector. To some extent that risk may be limited by the fund's policy of not concentrating its investments in any one industry.

**Management Risk.** The fund is actively managed and depends heavily on the adviser's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the fund's portfolio. The fund could experience losses if these judgments prove to be incorrect. Additionally, legislative, regulatory, or tax developments may adversely affect management of the fund and, therefore, the ability of the fund to achieve its investment objective.

## 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 may use equity options or total return swaps referencing single stocks or stock indices to create or hedge equity exposure. The fund may also use futures referencing stock indices to equitize, or create equity market exposure, approximately equal to some or all of its non-equity assets, or to hedge against a general downturn in the equity markets.

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, relevant environmental, social, and governance (ESG) issues, 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 of Investing

**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:**

- **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. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could also have a significant impact on the fund and its investments and potentially increase the risks described herein.

• **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. Depending on market conditions, Dodge & Cox’s investing style may perform better or worse than portfolios with a different investment style. Dodge & Cox may not make timely purchases or sales of securities for the fund. The fund may underperform the broad market, relevant indices, or other funds with similar objectives and investment strategies.

• **Non-U.S. investment risk.** Securities of non-U.S. issuers (including ADRs, ADSs, GDRs and other securities that represent interests in a non-U.S. issuer’s securities) may be more volatile, harder to value, and have lower overall liquidity 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. The fund generally holds non-U.S. securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and may be subject to only limited or no regulatory oversight. There may be increased risk of delayed transaction settlement. These risks may be higher when investing in emerging and frontier markets. Certain of these elevated risks may also apply to securities of U.S. issuers with significant non-U.S. operations.

• **Emerging markets 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. Emerging markets may have less established legal, accounting, and financial reporting systems than those in more developed markets, which may reduce the scope or quality of financial information available to investors. In addition, companies in emerging markets may be subject to less stringent standards on disclosure, accounting and financial reporting, and recordkeeping, which may affect the fund’s ability to evaluate potential and current investments. Governments in emerging market countries may be less stable and more likely to take extralegal action with respect to companies, industries, assets, or foreign ownership than those in more developed markets. Moreover, investor protection regimes may be more limited in emerging markets. For example, it may be more difficult for shareholders to bring derivative litigation or for U.S. regulators to bring enforcement actions against issuers in emerging markets. Emerging market securities may also be more volatile, more difficult to value, and have lower overall liquidity than securities economically tied to U.S. or developed non-U.S. markets.

• **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 and may not be able to determine accurately the extent to which a security or its issuer is exposed to currency risk.

• **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.

• **Derivatives risk.** Investing with derivatives, such as currency forward contracts, currency swaps, and equity options, equity index futures and total return swaps, 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. A derivative can create leverage because it can result in exposure to an amount of a security, index, or other underlying investment (a “notional amount”) that is substantially larger than the derivative position’s market value. Often, the upfront payment required to enter into a derivative is much smaller than the potential for loss, which for certain types of derivatives may be unlimited. 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.

**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, 2021) |       |
| Total Annual Fund Operating Expenses.....   | 0.63% |

DFA International Small Company Portfolio

Investment Objective

The investment objective of the International Small Company Portfolio is to achieve long-term capital appreciation.

Principal Investment Strategies

The International Small Company Portfolio is a “fund of funds,” which means the portfolio generally allocates its assets among other funds managed by Dimensional Fund Advisors LP (the “advisor”) (the “underlying funds”), although it has the ability to invest directly in securities and derivatives. The portfolio seeks to achieve its investment objective of providing investors with access to securities portfolios consisting of a broad range of equity securities of primarily small Canadian, Japanese, United Kingdom, Continental European and Asia Pacific companies. The portfolio also may have some exposure to small capitalization equity securities associated with other countries or regions. The portfolio pursues its investment objective by investing substantially all of its assets in the following underlying funds: The Canadian Small Company Series, The Japanese Small Company Series, The Asia Pacific Small Company Series, The United Kingdom Small Company Series and The Continental Small Company Series of The DFA Investment Trust Company. Periodically, the advisor will review the allocations for the portfolio in each underlying fund and may adjust allocations to the underlying funds or may add or remove underlying funds in the portfolio without notice to shareholders. Each underlying fund invests in small companies using a market capitalization weighted approach in each country or region



designated by the advisor as an approved market for investment. 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 a small company within an eligible country, the greater its representation in the underlying fund. The advisor may adjust the representation in the underlying funds of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, relative price, profitability, investment characteristics, and other factors that the advisor determines to be appropriate. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its book value. In assessing relative price, the advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the advisor considers different ratios, such as that of earnings or profits from operations relative to book value or assets. In assessing a company's investment characteristics, the advisor considers ratios such as recent changes in assets divided by total assets. The criteria the advisor uses for assessing relative price, profitability, and investment characteristics are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the International Small Company Portfolio, through its investments in the underlying funds, will invest at least 80% of its net assets in securities of small companies. The portfolio and each underlying fund may invest in affiliated and unaffiliated registered and unregistered money market funds to manage its cash pending investment in other securities or to maintain liquidity for the payment of redemptions or other purposes. Investments in money market funds may involve a duplication of certain fees and expenses.

Each underlying fund may gain exposure to companies associated with approved markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer's domicile country. The International Small Company Portfolio and each underlying fund may purchase or sell futures contracts and options on futures contracts for equity securities and indices of its approved markets or other equity market securities or indices, including those of the United States, to increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the portfolio or underlying fund.

The International Small Company Portfolio and the underlying funds may lend their portfolio securities to generate additional income.

### **Principal Risks**

Because the value of your investment in the International Small Company 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.

**Fund of Funds Risk:** The investment performance of the portfolio is affected by the investment performance of the underlying funds in which the portfolio invests. The ability of the portfolio to achieve its investment objective depends on the ability of the underlying funds to meet their investment objectives and on the advisor's decisions regarding the allocation of the portfolio's assets among the underlying funds. There can be no assurance that the investment objective of the portfolio or any underlying fund will be achieved. When the portfolio invests in underlying funds, investors are exposed to a proportionate share of the

expenses of those underlying funds in addition to the expenses of the portfolio. Through its investments in the underlying funds, the portfolio is subject to the risks of the underlying funds' investments. The risks of the portfolio's and underlying funds' investments are described below.

**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 tend to move in cycles, with periods of rising prices and periods of falling prices.

**Foreign Securities and Currencies Risk:** Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar). The underlying funds do not hedge foreign currency risk.

Depositary receipts are generally subject to the same risks as the foreign securities that they evidence or into which they may be converted. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities. Depositary receipts that are not sponsored by the issuer may be less liquid and there may be less readily available public information about the issuer.

**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.

**Profitability Investment Risk:** High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the portfolio or an underlying fund to at times underperform equity funds that use other investment strategies.

**Value Investment Risk:** Value stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the portfolio or an underlying fund to at times underperform equity funds that use other investment strategies. Value stocks can react differently to political, economic, and industry developments than the market as a whole and other types of stocks. Value stocks also may underperform the market for long periods of time.

**Derivatives Risk:** Derivatives are instruments, such as futures, and options thereon, and foreign currency forward 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 portfolio or an underlying fund uses derivatives, the portfolio or underlying fund will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number



of risks including counterparty, settlement, liquidity, interest rate, market, credit and management risks, as well as 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 or underlying fund 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 underlying funds may lose money and there may be a delay in recovering the loaned securities. The underlying funds could also lose money if they do 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. To the extent that the portfolio holds securities directly and lends those securities, it will be also subject to the foregoing risks with respect to its loaned securities.

**Operational Risk:** Operational risks include human error, changes in personnel, system changes, faults in communication, and failures in systems, technology, or processes. Various operational events or circumstances are outside the advisor’s control, including instances at third parties. The portfolio and the advisor seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address these risks.

**Cyber Security Risk:** The 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.

|   |       |
|---|-------|
| <b>Fees &amp; Expenses</b>                        |       |
| (Based on the prospectus dated February 28, 2021) |       |
| Total Annual Fund Operating Expenses.....         | 0.44% |

DFA Emerging Markets Core Equity Portfolio

Investment Objective

The investment objective of the Emerging Markets Core Equity Portfolio is to achieve long-term capital appreciation.

Principal Investment Strategies

The Emerging Markets Core Equity Portfolio purchases a broad and diverse group of securities associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by Dimensional Fund Advisors LP’s (the “advisor”) Investment Committee (“approved markets”). The portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies. The portfolio’s increased exposure to smaller capitalization, lower relative price, and higher profitability companies may be achieved by decreasing the allocation of the portfolio’s assets to larger capitalization, higher relative price, or lower profitability companies. An equity issuer is considered to have a high relative price (i.e., a growth stock) primarily because it has a high price in relation to its book value. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its

book value. In assessing relative price, the advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the advisor considers different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the advisor uses for assessing relative price and profitability are subject to change from time to time. The advisor may also adjust the representation in the portfolio of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, size, relative price, profitability, investment characteristics, and other factors that the advisor determines to be appropriate. In assessing a company’s investment characteristics, the advisor considers ratios such as recent changes in assets divided by total assets. The criteria the advisor uses for assessing a company’s investment characteristics are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the Emerging Markets Core Equity Portfolio will invest at least 80% of its net assets in emerging markets equity investments that are defined in the prospectus as approved market securities.

The Emerging Markets Core Equity Portfolio may gain exposure to companies in approved markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer’s domicile country. The portfolio may purchase or sell futures contracts and options on futures contracts for approved market or other equity market securities and indices, including those of the United States, to increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the portfolio.

The Emerging Markets Core Equity Portfolio may lend its portfolio securities to generate additional income.

Principal Risks

Because the value of your investment in the Emerging Markets Core Equity 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 tend to move in cycles, with periods of rising prices and periods of falling prices.

**Foreign Securities and Currencies Risk:** Foreign securities prices may decline or fluctuate because of:

(a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar). The portfolio does not hedge foreign currency risk.

Depositary receipts are generally subject to the same risks as the foreign securities that they evidence or into which they may be converted. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts,

or to pass through to them any voting rights with respect to the deposited securities. Depositary receipts that are not sponsored by the issuer may be less liquid and there may be less readily available public information about the issuer.

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

**Emerging Markets Risk:** Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and generally have higher risks than those in developed markets. Securities in emerging markets also may be less liquid than those in developed markets and foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

**China Investments Risk:** There are special risks associated with investments in China and Taiwan, which are considered emerging market countries by the portfolio. The Chinese government has implemented significant economic reforms in order to liberalize trade policy, promote foreign investment in the economy, reduce government control of the economy and develop market mechanisms. But there can be no assurance that these reforms will continue or that they will be effective. Despite reforms and privatizations of companies in certain sectors, the Chinese government still exercises substantial influence over many aspects of the private sector and may own or control many companies. The Chinese government continues to maintain a major role in economic policy making and investing in China involves risks of losses due to expropriation, nationalization, confiscation of assets and property, and the imposition of restrictions on foreign investments and on repatriation of capital invested.

A reduction in spending on Chinese products and services or the institution of additional tariffs or other trade barriers, including as a result of heightened trade tensions between China and the United States may also have an adverse impact on the Chinese economy. In addition, investments in Taiwan could be adversely affected by its political and economic relationship with China. Certain securities issued by companies located or operating in China, such as China A-shares, are also subject to trading restrictions, quota limitations and less market liquidity, which could pose risks to the portfolio.

**Profitability Investment Risk:** High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the portfolio to at times underperform equity funds that use other investment strategies.

**Value Investment Risk:** Value stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause the portfolio to at times underperform equity funds that use other investment strategies. Value stocks can react differently to political, economic, and industry developments than the market as a whole and other types of stocks. Value stocks also may underperform the market for long periods of time.

**Derivatives Risk:** Derivatives are instruments, such as futures, and options thereon, and foreign currency forward 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 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, settlement, liquidity, interest rate, market, credit and management risks, as well as 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 portfolio may lose money and there may be a delay in recovering the loaned securities. The 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.

**Operational Risk:** Operational risks include human error, changes in personnel, system changes, faults in communication, and failures in systems, technology, or processes. Various operational events or circumstances are outside the advisor’s control, including instances at third parties. The portfolio and the advisor seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address these risks.

**Cyber Security Risk:** The 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.

| Fees & Expenses                                   |       |
|---|-------|
| (Based on the prospectus dated February 28, 2021) |       |
| Total Annual Fund Operating Expenses .....        | 0.39% |

## **Bright Start Direct-Sold College Savings Program - Additional Information Regarding Financial Privacy**

Offering excellent service along with protecting your privacy is important to the Bright Start Direct-Sold College Savings Program ("Program").

When you do business with the Program you are asked to provide us with personal information. This information is important because it helps us to effectively process your transactions and helps efforts to prevent access to personal financial information by unauthorized persons. We also gather certain information to comply with laws and regulations that govern the financial services industry.

Union Bank & Trust Company, as the Program Manager of the Program, provides the day-to-day administrative services of the Program, including the gathering of personal information to effectively serve our customers. We may disclose information we have collected to companies who help us maintain and service your Account. For example, we may share information with other companies and professionals who need information to process your Account and provide other record keeping services. Each company with whom we share information has agreed to abide by the following and is strictly prohibited from disclosing or using the information for any purpose other than the purposes for which it is provided to them.

As an Account Owner of the Program, this details how we use and safeguard the information you provide to us.

If you have any questions about Union Bank & Trust Company's Financial Privacy Policy, please contact the Program at 877.432.7444.

### **THE INFORMATION WE COLLECT**

We collect information about you from the following sources:

- Information you give us on applications or other forms
- Information about your transactions with us

### **DISCLOSURE OF INFORMATION**

The Program does not disclose the personal information of current or former Account Owners and/or Beneficiaries to any other person outside the Program, unless you consent or it is permitted under applicable federal and state laws. The Program may also disclose your personal information if it is allowed or required by its contract with the state of Illinois, or as requested by the Treasurer. With your consent or if allowed by law, we will provide your personal information to the financial advisor you designate.

### **CONFIDENTIALITY AND SECURITY**

We restrict access to information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to protect this information.

### **OUTSIDE SERVICE PROVIDERS/MARKETERS**

We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements.



**brightstart**

529 College Savings

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**Michael W. Frerichs**  
ILLINOIS STATE TREASURER

Trustee & Administrator

**UBT**

Union Bank & Trust

Program Manager

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