

LearningQuest®  
529 EDUCATION SAVINGS PROGRAM



**LEARNING QUEST®  
ADVISOR HANDBOOK**

**JULY 1, 2011**

This Handbook is for individuals establishing an account through a financial professional. There is a separate Handbook for accounts that are established directly with Learning Quest®. Please contact us for a copy.

**Before investing, carefully consider the plan's investment objectives, risks, charges and expenses. This information and more about the plan can be found in this document, and should be read carefully before investing. Consider before investing whether your or the beneficiary's home state offers a 529 Plan that provides its taxpayers with state tax and other benefits not available through this plan. Favorable state tax treatment or other benefits may be available only if you invest in your or your beneficiary's home state's 529 Plan. State-based benefits should be one of many appropriately weighted factors to be considered in making an investment decision, and you should consult with your financial professional or contact your home state's plan to learn more about how these benefits or limitations would apply to your situation.**

The Learning Quest Advisor portfolios have not been registered with the U.S. Securities and Exchange Commission or with any state securities commissions pursuant to exemptions from registration available for obligations issued by a public instrumentality of a state. You may request more information about the American Century Investments® funds held by the portfolios by calling 1-877-882-6236. You may request more information about the Oppenheimer funds by calling OppenheimerFunds at 1-800-525-7048. You may request more information about the Principal funds by calling Principal Funds at 1-800-222-5852. You may request more information about the Columbia Management funds by calling Columbia Management at 1-800-215-5005. You may request more information about the American Beacon funds by calling American Beacon Funds at 1-800-658-5811.

Notice: Accounts established under Learning Quest Advisor and their earnings are neither insured nor guaranteed by the state of Kansas, the Kansas State Treasurer or American Century Investments.

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## Risk Factors

**Risk of Investment Loss.** As with any investment, it is possible to lose money by investing in this plan. The value of your Learning Quest Advisor account will fluctuate, and it is possible for the value of your account to be less than the amount you invested.

**Risk of Tax Law Changes.** From time to time there may be changes to federal and state tax laws and Section 529 that may change the terms and conditions of this program. You will be notified of these changes in a timely manner.

**Risk of Reduced Financial Aid Eligibility.** An investment in a 529 Plan may affect federal financial aid eligibility. See Page 12 for more information.

**Risk of Plan Changes.** From time to time the plan administrator may make changes to the plan, including changes to the fees and expenses. You will be notified of these changes in a timely manner.

The availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of withdrawals, or other factors.

The state of Kansas offers two 529 Plans. The Learning Quest 529 Education Savings Program is available through American Century Investments and financial professionals. The Schwab 529 College Savings Plan is available through Charles Schwab & Co., Inc. There are different investment options available under each plan as well as different investment managers and fee structures.

Kansas taxpayers may invest in a 529 Plan sponsored by any state and receive a Kansas adjusted gross income deduction for their contributions. This deduction applies to contributions of up to \$3,000 per student, per year (\$6,000 if married, filing jointly). See the instructions for your Kansas income tax return for more information.

The information presented in this booklet is for educational purposes only and is not intended as tax or investment advice. The information is believed to be accurate as of the date of printing and is subject to change without notice, except as required.

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

IRS Circular 230 Disclosure: American Century Companies, Inc. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with American Century Companies, Inc. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

**Administered by Kansas State Treasurer Ron Estes**  
Managed by American Century Investment Management, Inc.

American Century Investment Services, Inc., Distributor and Underwriter

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You can request any of the Learning Quest Advisor forms listed in this Handbook by calling your financial professional or 1-877-882-6236. Forms are also available at [learningquest.com](http://learningquest.com).

# PART 1 — A GUIDE TO YOUR LEARNING QUEST ADVISOR ACCOUNT

## Overview of Learning Quest Advisor

Learning Quest is a 529 education investment program established by the state of Kansas and managed by American Century Investment Management, Inc. It offers anyone who is a U.S. citizen or resident an easy way to invest for a higher education. Congress created these types of tax-advantaged plans in 1996 under Section 529 of the Internal Revenue Code. These plans, sometimes called 529 Plans, offer tax-deferred earnings growth and other tax advantages. State-sponsored education savings programs also let you invest larger sums of money than other education savings methods.

## Benefits of Learning Quest Advisor

Learning Quest Advisor was designed with you in mind and provides some of the best features available in the college investing marketplace today. Some of the program's features include:

- Any earnings grow on a tax-deferred basis at the federal and Kansas state levels. Check with your tax advisor for your state's rules.
- The earnings portion of withdrawals used to pay for qualified education expenses is tax free at the federal and Kansas state levels.\* Check with your tax advisor for your state's rules.
- High total contribution limit — currently \$312,500 per beneficiary. This limit is based on the average expenses of five years of higher education and may be adjusted annually. The contribution limit is a combination of contributions and earnings.
- Contributions can be made to the account by check, electronic fund transfer, automatic investment from your bank account or paycheck.
- No annual account maintenance fee.

*\*The earnings portion of nonqualified withdrawals is subject to federal and state taxes and a 10% federal penalty tax.*

- Contributions are considered completed gifts for purposes of federal gift tax exclusion.
- No federal gift tax on contributions you make for a beneficiary of up to \$65,000 (\$130,000 for spousal gifts) in one year. You will need to elect to treat the contribution as being made over a five-year period, and you cannot make any additional gifts to the beneficiary during that time.
- Flexibility for the beneficiary to use the account to pay for qualified expenses at any eligible educational institution, including community college and vocational and technical schools but is generally limited to accredited U.S. institutions.
- Learning Quest Advisor offers you a variety of investment options so you can invest according to your investing style, comfort with risk and goals. Pick an age-based track if you want a diversified investment that becomes more conservative over time. Or select a static portfolio if you prefer to focus on a certain type of investment or want to decide when it is time to move your assets to another portfolio. You and your financial professional also can select one or more of the single-fund portfolios to create your own customized investment. See Page 12 for more information about the investment options.

## Additional Benefits for Kansans

- Kansas taxpayers receive an annual adjusted gross income deduction on their state tax return for their contributions to Learning Quest Advisor or any 529 Plan sponsored by any other state up to \$3,000 per beneficiary, per year (\$6,000 if married, filing jointly). To take a deduction for your contribution, it must be postmarked by December 31 or submitted online by 3 p.m. Central time on December 31.
- The Kansas Investments Developing Scholars (K.I.D.S.) Matching Grant Program was developed for Kansas residents with incomes less than 200% of the federal poverty level. The state of Kansas will match the first \$600 that Account Owners contribute to a Learning Quest Advisor account for each beneficiary each year that you are eligible. The program is funded by general tax revenues and is subject to funding changes each year. Visit [www.kansasstatetreasurer.com/KIDS](http://www.kansasstatetreasurer.com/KIDS) or call 1-866-504-5898 for income requirements and other information on the K.I.D.S. program.

## Additional Features

**Any U.S. citizen or resident can open or contribute to a Learning Quest Advisor account**, and anyone may contribute to an account, regardless of who opened it. Learning Quest Advisor is available to state and local governments, government agencies and not-for-profit organizations to fund their scholarship programs. It is also available to business entities that want to help students pay for a higher education.

**Anyone can be a beneficiary.** You can name any person who is a U.S. citizen or resident as the beneficiary of your account, and the beneficiary can be any age. You can even open an account for yourself to pursue a degree or vocational training in the future.

**Kansas residency not required.** You don't have to live in Kansas to participate in the program. Learning Quest Advisor is available to anyone who lives in the United States.

**No age or income requirements.** There are no age or income requirements to be an Account Owner, contributor or beneficiary of a Learning Quest Advisor account. A minor can also be an Account Owner with a Responsible Individual or custodian on the account to act on behalf of the minor. And, there is no date by which the account assets must be withdrawn.

**Joint Account Owners allowed.** You can open a Learning Quest Advisor account with Joint Account Owners. We will use the first Account Owner's name and Social Security number listed on the account application for IRS reporting purposes.

**Investment changes.** The IRS allows you to change your portfolio selection once during the year without having to change the beneficiary. If your investment strategy or the time frame in which you need the money changes, call your financial professional or 1-877-882-6236 for more information.

**Coordination with an Education Savings Account.** You can contribute to an Education Savings Account (ESA) and a 529 Plan for the same beneficiary in the same year. See Page 7 for information about how to transfer funds from an ESA to Learning Quest Advisor.

**UGMA/UTMA accounts.** If you are the custodian of a Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA) account, you may be able to transfer all or part of the account to a Learning

Quest Advisor UGMA/UTMA account for the same minor. See Page 7 for more information.

## Program Administration and Roles

### Kansas State Treasurer's Office

Kansas State Treasurer Ron Estes is the program administrator for Learning Quest Advisor.

His responsibilities include:

- Developing the program's rules and regulations
- Selecting the program manager
- Maintaining a program that strives to provide competitive investment returns for investors
- Ensuring ethical and efficient program management
- Ensuring the program complies with federal guidelines
- Presenting annual reports to the Kansas Legislature

To comply with Rule 15c2-12 of the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), American Century Investment Services, Inc., has entered into a continuing disclosure agreement with the Treasurer of the state of Kansas for the benefit of Account Owners. Under this agreement, the Treasurer will provide certain information and notices of the occurrence of certain enumerated events as required by Rule 15c2-12. Such information and notices will be filed with each Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, and with any Kansas information depository. The respective directors, officers, members and employees of the office of the Treasurer shall have no liability for any act or failure to act under the disclosure agreement. The Treasurer reserves the right to modify its provisions for release of information pursuant to the disclosure agreement to the extent not inconsistent with the valid and effective provisions of Rule 15c2-12.

### American Century Investments

The Kansas State Treasurer selected American Century Investment Management, Inc., to provide investment management, account administration and communications for the program. Since 1958, American Century Investments has built its investment management business on the belief that success is measured by making others successful. This belief serves as the

foundation for its investment principles and fuels the commitment to provide excellent client service. Offering a broad array of products and investment options, American Century Investments focuses on delivering solid, consistent investment performance to meet investors' needs.

### **Upromise Investment Advisors, LLC**

American Century Investments has partnered with Upromise Investment Advisors, LLC ("Upromise Investments") to provide certain administration and online account management services for the plan. Upromise Investments is a leading administrator of 529 college savings plans, dedicated to meeting the needs of families saving for college across the country. Working with 529 plans is their core business and the focal point of their technological innovations.

### **Program Information**

In establishing Learning Quest Advisor, the Kansas Legislature created the Kansas Postsecondary Education Savings Program. Money that is contributed to a Learning Quest Advisor account will be invested in one of the investment portfolios in the Kansas Postsecondary Education Savings Program. The money for all the accounts in a portfolio will be pooled together and invested toward a specific goal. An account will be composed of units of interest in the particular portfolio in which it is invested.

### **Independent Auditor**

The program manager has contracted with an independent auditor to perform annual audits of the plan's financial statements. The annual statement for the most recent fiscal year end, which includes the report of the independent auditor, is available at [learningquest.com](http://learningquest.com) or by calling 1-877-882-6236.

### **Definitions**

**Account Owner** – The person (or persons) who or entity that opens the account and may do the following:

- Select or change the beneficiary
- Make contributions
- Request withdrawals
- Request portfolio exchanges

- Roll over the assets to another state's 529 Plan once every 12 months without a change of beneficiary or anytime with a change of beneficiary

The Account Owner maintains ownership of the account and also may be the beneficiary of the account. If the Account Owner is a minor (and also named as beneficiary), a Responsible Individual would need to be designated on the account to act on the behalf of the minor. The minor Account Owner/beneficiary cannot be changed on the account by the Responsible Individual. When the minor reaches age of majority, he or she will assume full control of the account.

In the case of a UGMA/UTMA Custodial Account (see Page 7), the custodian will be designated as the Account Owner, and will have the same authority as above with the exception of changing the beneficiary.

**Designated Beneficiary** – The individual whose qualified education expenses can be paid from the account. He or she can be anyone who is a U.S. citizen or resident and also can be the Account Owner. In this Handbook, the terms "student" and "beneficiary" refer to the Designated Beneficiary.

**Distributee** – The individual, either the Account Owner or the beneficiary, who receives a withdrawal from the account. The earnings portion of a nonqualified withdrawal is taxable to the distributee. The earnings portion of a qualified withdrawal is free of federal and Kansas state income taxes. Other states' tax treatment of earnings varies.

**Eligible Educational Institution** – An eligible educational institution is defined by federal law as:

- An accredited postsecondary institution that offers credit toward an undergraduate or graduate degree or other recognized postsecondary education credential and
- An institution eligible to participate in federal student aid programs administered by the U.S. Department of Education

This definition includes most public and private colleges and universities, graduate schools, community colleges, and vocational and technical schools and is generally limited to accredited U.S. institutions.

To determine if a school is qualified, you can contact the school's office of admissions about its accreditation status. You also can check on a school's eligibility to participate

in federal financial aid programs (which is an indication the school is an eligible educational institution) with the Department of Education. Consult their Web site at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**Eligible Family Member of the Designated Beneficiary –**

The following individuals are considered Eligible Family Members of the Designated Beneficiary and can be named as a replacement beneficiary:

- Son, daughter or descendant of either
- Stepson or stepdaughter
- Brother, sister, stepbrother or stepsister
- Stepfather or stepmother
- Father, mother or ancestor of either
- Niece or nephew
- Aunt or uncle
- Son-in-law, daughter-in-law, father-in-law, mother-in-law, sister-in-law or brother-in-law
- Spouse of the Designated Beneficiary or spouse of any family member listed above (who must live in the same household)
- First cousin

**Nonqualified Withdrawal –** Proceeds removed from the account that are not used to pay for qualified education expenses. See Page 9 for penalty-free withdrawals due to disability, death or a scholarship.

**Qualified Education Expenses –** Qualified education expenses apply to undergraduate and graduate school and include:

- Tuition, fees, and the cost of books, supplies and equipment required for enrollment or attendance. Some expenses for a special needs student also may be covered.
- The cost of room and board for a student enrolled at least half time. A 529 Plan uses the same definition for room and board costs that is used to calculate a student's costs of attendance for federal financial aid purposes.
  - Students residing in housing owned or operated by the school. The amount of room and board considered to be a qualified education expense is the standard allowance determined by the school.

This allowance is based on the amount the school normally charges most residents for room and board. The actual invoice amount will be considered a qualified education expense if that amount is higher than the standard allowance described above.

- Students without dependents living at home with parents. The amount of room and board considered to be a qualified education expense is generally the same standard allowance determined by the school. This allowance is based on the amount the school normally charges most residents for room and board.
- All other students. The amount of room and board costs considered to be a qualified education expense are those considered to be reasonably incurred by the student for room and board.

**Qualified Withdrawal –** Proceeds removed from the account to pay for the student's qualified education expenses at an eligible educational institution.

**Responsible Individual –** The adult authorized to sign the account application and request withdrawals, portfolio exchanges and rollovers from the account on behalf of an Account Owner who is a minor. The Responsible Individual must be a U.S. citizen or a U.S. resident alien. Once the Account Owner reaches the age of majority, he or she can transact on the account and the Responsible Individual will be removed and will no longer have authority on the account.

## Contributions

### Contribution Limit

Learning Quest Advisor has a contribution limit of \$312,500 per beneficiary. This limit is based on the average expenses of five years of higher education at a private institution.

The contribution limit is reached when the total value of all the Kansas 529 accounts for a beneficiary (includes both contributions and earnings) equals or exceeds the current contribution limit. Once the limit is reached, no one may make any additional contributions for the beneficiary. The value of your Learning Quest Advisor account can continue to grow. You and other contributors may make contributions in the future if the account value falls below the contribution limit or the limit is increased. The program administrator will periodically review and adjust the contribution limit as needed. We will notify you when there are changes to the contribution limit.

### **Excess Contributions**

We will assess the total account value of all Kansas 529 accounts for a beneficiary periodically to determine if the contribution limit has been reached. If it has, then no additional contributions will be accepted for that beneficiary.

We will contact you if we receive a contribution that is more than the allowable amount. You can transfer the excess amount to a Learning Quest Advisor account of an Eligible Family Member of the Designated Beneficiary, provided the contribution will not put that beneficiary in an excess situation. Or, you can request the excess contribution be returned to you. If you do not provide instructions to us within 30 days of the date the excess contribution occurred, it will be removed from the account as a nonqualified withdrawal. Your ability to make contributions in the future may change if the combined account value falls below the contribution limit or the contribution limit is increased.

### **Low Minimum Investment Amounts**

Learning Quest Advisor has low minimums to help you get started. If you want to invest in a single-fund portfolio, the minimum per portfolio is \$100 for all investors. If you want to invest in any of the other portfolios, the minimum is \$500 (\$100 for Kansas residents) per account. Or, you can open an account by starting an automatic investment of just \$50 per month (\$25 per month in certain portfolios for Kansas residents) from your bank account or paycheck. See Automatic Investment Plan below for more information.

### **Ways to Invest**

Learning Quest Advisor offers you several convenient ways to contribute to your account.

### **Check**

You can open an account by check with an initial investment of \$100 per single-fund portfolio or \$500 (\$100 for Kansas residents) per account for any of the other portfolios. Additional investments may also be made by check. Make your investment check payable to Learning Quest Advisor.

### **Electronic Fund Transfer (EFT)**

After you have established the account and met the initial investment minimum, you can contribute to your account by requesting to make a one-time contribution. This service allows you to initiate an investment online or by telephone from your bank account. The maximum contribution through a one-time EFT is \$130,000. To set up this service we will use your initial investment check unless you provide information for another bank account.

### **Automatic Investment Plan (AIP)**

It's easy to contribute to your Learning Quest Advisor account on a regular basis. You can set up monthly investments when you open your account or by calling us if your account is already open. We offer low automatic investment minimums — just \$50 per month (\$25 for Kansas residents). If you choose a single-fund portfolio, you will need to first invest a minimum of \$100 per portfolio before setting up an automatic investment. Provide your automatic investment instructions on your application including your bank account information, if different from your investment check. If the date you select falls on a weekend or holiday, we'll make the investment on the next business day. Your first investment may occur in the same month we receive your request, or the following month, depending on the date you select. Call your financial professional, go online, submit in writing, or call us at 1-877-882-6236 to change the amount of your investment or to start an AIP.

### **Automatic Annual Increases**

You may increase your AIP contribution automatically on an annual basis for your Learning Quest Advisor account. Your contribution will be adjusted each year in the month that you specify by the amount indicated on your application.

### **Payroll Direct Deposit**

Check with your employer first to see if you can direct part of your paycheck by ACH to your Learning Quest Advisor account. Then complete a *Payroll Direct Deposit*

form and return it to us or you may go online. We will send you a confirmation to sign and give to your employer to establish your payroll direct deposit. In order for your payroll direct deposit to begin, your employer will need to establish and initiate the process.

#### **From an American Century Investments Account**

You may be able to transfer money from one of your American Century Investments accounts to your Learning Quest Advisor account. Depending on the type of accounts involved in the transfer, this may result in a taxable transaction. We will send you a confirmation for investments you make by transfer from an American Century Investments account.

#### **Ugift®**

Family and friends can contribute to your Learning Quest Advisor accounts through Ugift. Ugift is an easy-to-use service that lets others make contributions directly to your Learning Quest account. Gifts may be contributed either in connection with a special event or just to provide a gift to the beneficiary. The gift giver completes a contribution coupon providing their name and gift contribution amount and mails a check with the coupon to the address provided. The minimum Ugift is \$25 by check made payable to Ugift—Learning Quest Advisor. The gift giver can complete an optional gift certificate and present it to the beneficiary to let you know a gift contribution has been made to the account. Gift contributions through Ugift are subject to the general contribution limitations. The gift contribution will be invested according to the allocation on file for your account at the time the gift contribution is transferred (approximately seven business days).

#### **Upromise Service**

This service lets members get back a percentage of their qualified spending with hundreds of America's leading companies as college savings. Once you enroll in this service, your Upromise account and your Learning Quest Advisor account can be linked so that your Upromise earnings are automatically transferred to your Learning Quest Advisor account on a periodic basis. The minimum amount for an automatic transfer from a Upromise account is \$25.

The Upromise service is an optional service offered by Upromise, Inc., is separate from Learning Quest Advisor, and is not affiliated with the state of Kansas. This Handbook provides general information

but is not intended to provide detailed information concerning the Upromise service. The Upromise service is administered in accordance with the terms and conditions set forth in the Upromise Member Agreement (as amended from time to time), which is available on the Upromise Web site at [upromise.com](http://upromise.com).

#### **Contributions from UGMA/UTMA Custodial Accounts**

The custodian for a minor under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA) may use assets previously held in a UGMA/UTMA account to open a UGMA/UTMA account in the plan, subject to the laws of the state under which the UGMA/UTMA account was established. Please note that the sale of assets held in the previous UGMA/UTMA account may result in a capital gain (or loss) to either the minor or the minor's parent. Please contact a tax advisor to determine how to transfer UGMA/UTMA custodial assets, and what the implications of such a transfer may be for you.

UGMA/UTMA custodians should consider the following:

- The custodian may make withdrawals only as permitted under UGMA/UTMA regulations and the plan.
- The custodian may not change the beneficiary of the account (directly or by means of a rollover), except as permitted under UGMA/UTMA laws.
- The custodian may designate a successor custodian to assume control of the UGMA/UTMA assets in the event of the custodian's death or incapacitation.
- The custodianship terminates when the minor reaches the age of majority under the applicable UGMA/UTMA laws. At that time, the beneficiary is legally entitled to take control of the account subject to the provisions of the plan that are applicable to accounts established or funded with non-UGMA/UTMA assets, if applicable.

Learning Quest Advisor will not be liable for any consequences related to a custodian's improper use, transfer, failure to transfer, or characterization of custodial funds.

#### **From an Education Savings Account (ESA)**

Before you transfer money from an ESA to Learning Quest Advisor, please understand:

- The transfer of the ESA is not a taxable event; however, you will need to provide documentation that indicates the amount of the earnings portion of the transfer. If you don't, the entire amount of the transfer will be considered earnings. Acceptable documentation would be the account statement from the transferring ESA custodian that shows the contributions and earnings portions of the transfer.
- The ESA beneficiary must be named as both the Account Owner and beneficiary of the Learning Quest Advisor account. A Responsible Individual needs to be named for the account if the beneficiary is a minor under state law. The beneficiary of the account may not be changed by the Responsible Individual. When the minor reaches the age of majority, he or she will assume full control of the account.

## Changing Portfolio Options

As with any investment, you should periodically review, and if appropriate, adjust your investment options to suit your time horizon and risk tolerance. If you find that your risk tolerance or time horizon has changed, you may request to change your current portfolio option once per calendar year as authorized by the IRS. IRS rules also allow you to change portfolio options whenever you change the beneficiary.

## Systematic Exchange Between Learning Quest Advisor Portfolios

You may establish a systematic exchange between certain Learning Quest Advisor portfolios on an ongoing basis. This allows you to dollar-cost average within the program between identically registered portfolios by exchanging a fixed dollar amount on a set schedule. You benefit by easing into or out of a variable priced portfolio instead of moving all at once. This strategy puts market swings to work for you and may reduce your average cost per unit. It does not assure a profit and does not protect against loss in declining markets. In order to fully utilize a dollar-cost averaging program, an investor should be prepared to continue his or her program of investing at regular intervals, even during economic downturns.

There are several conditions that apply to systematic exchanges.

- **Minimum balance requirements.** The source portfolio for the exchange requires a minimum balance of \$5,000 or more to begin. That means a new account must have an initial investment of at least \$5,000, and an existing account must have at least a \$5,000 balance.
  - **Allowable exchanges.** Exchanges are allowed between identically registered portfolios. Systematic exchanges are not allowed between age-based portfolios.
  - **Minimum investment and frequency.** Each exchange must be at least \$100 per month or total \$1,200 per year and may occur on a monthly, quarterly, semiannual or annual basis.
  - **Change of instructions.** Any new systematic exchange or modification to an existing systematic exchange is considered a change of portfolio selection unless the exchange is set up at the time a Learning Quest Advisor account is established.
- A systematic exchange can be established on the application or by completing an Account Features Form. For more information about how to set one up, please call your financial professional or 1-877-882-6236.

## Services Available for Your Account

Learning Quest Advisor offers a variety of services designed to make managing your account convenient. When you open an account, you automatically receive all of the following services by telephone and online. Any Individual Account Owner or Joint Account Owner may:

- Inquire about your account, change your address or email address, and register for eCommunication.
- Change your existing AIP dollar amount, frequency, debit date, and/or annual AIP increases if banking instructions are on file.
- Make investments from your bank or other financial institution. We will use your investment check bank account to set up this service unless you provide instructions for another bank account.
- Request an exchange to a new Learning Quest Advisor portfolio. See Changing Portfolio Options on this page for more information.
- Request a withdrawal without a signature guarantee if payable to the Account Owner, an eligible educational institution or the beneficiary.
- Request a withdrawal paid electronically by ACH to the Account Owner's or beneficiary's bank account.

- View quarterly account statements, account history, confirmations and tax forms online. Your advisor will also have the ability to view your accounts and perform certain transactions.

You can also elect to receive eCommunication, our electronic delivery service for quarterly and daily statements. You will receive an email notification when your statements are available online, reducing the need for paper statements.

## Withdrawals

You can request a withdrawal by telephone or online. The minimum withdrawal amount is \$50. We will pay withdrawals by check or electronically via ACH to the Account Owner's or beneficiary's bank account on file. Withdrawals by ACH are available 15 days after your bank account information has been received and accepted by us. To request a withdrawal in writing, call your financial professional or 1-877-882-6236 for a *Withdrawal Request Form* or visit our Web site.

Each withdrawal will consist of a combination of contributions and earnings. All Kansas 529 accounts with the same Account Owner and Designated Beneficiary will be aggregated for purposes of calculating the earnings portion of any withdrawal. This calculation will be completed at the time the withdrawal is made. A Form 1099-Q will be issued the following January to either the beneficiary or the Account Owner depending on the withdrawal distributee (see Page 11, IRS Form 1099-Q, for more information).

*The availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of withdrawals, or other factors.*

### Qualified Withdrawals

A qualified withdrawal refers to proceeds that are removed from the account to pay for the beneficiary's qualified education expenses at an eligible educational institution. The contribution and earnings portions of a qualified withdrawal are tax free at the federal and Kansas state levels. Check with your tax advisor for other states' tax rules.

A qualified withdrawal may be made payable to the Account Owner, beneficiary or an eligible educational institution. The program manager also may accept withdrawal requests for qualified education expenses

to be made payable to other approved third parties such as a sorority, fraternity and certain paying agents designated by an educational institution.

The Account Owner and/or Designated Beneficiary is responsible for determining if the proceeds of a withdrawal were used to pay for qualified education expenses. They must maintain documentation for this determination so it can be provided to the IRS upon request. To help you with this responsibility, here are some helpful tips:

- The student must attend an eligible educational institution.
- Make sure the expenses meet the definition of a qualified education expense (see Page 5).
- Keep documentation of the qualified education expenses with your tax records.

The program allows Account Owners to make systematic withdrawals from their Learning Quest Advisor accounts. This may be helpful if you make ongoing payments for a qualified education expense. See the *Account Features Form* for additional information about systematic withdrawals.

### Nonqualified Withdrawals

A nonqualified withdrawal refers to proceeds you remove from the account that do not meet the requirements of a qualified withdrawal. The earnings portion of a nonqualified withdrawal may be subject to a 10% federal penalty tax and is taxable to the distributee, who may be the Account Owner or the beneficiary. You may request a nonqualified withdrawal at any time.

### Taxation for Kansas Taxpayers

If you are a Kansas taxpayer and you take a nonqualified withdrawal, the withdrawal may be subject to Kansas state taxes. You will owe Kansas state taxes on the earnings portion of a nonqualified withdrawal as well as the contribution portion that you previously deducted on your Kansas tax return. Check with your tax advisor or the instructions for filing your Kansas income tax return for more information.

### Penalty-Free Withdrawals

You may request a penalty-free withdrawal if the beneficiary receives a scholarship for qualified higher education expenses. You also may request one in the

event of the disability or death of the beneficiary. The distributee, who may be the Account Owner or the beneficiary, will be taxed on the earnings portion of the withdrawal without the 10% penalty tax.

## Rollovers

A rollover is the movement of assets from one state's 529 Plan to another state's 529 Plan. You may request a rollover once every 12 months without a change of beneficiary, as long as no other 529 account for that beneficiary has been rolled over during the prior 12-month period. This condition applies even if the accounts are in different 529 Plans or have different Account Owners. Or, you may roll over at any time if you name a new beneficiary who is an Eligible Family Member of the Designated Beneficiary.

To roll over a 529 account directly to Learning Quest Advisor, complete an *Incoming Rollover* form and return it to us.

You may also request a withdrawal from your current 529 account and roll over the assets to another state's 529 Plan yourself. You have 60 days from when you receive the check to roll over the assets to the new 529 Plan or it will be considered a nonqualified withdrawal, with the earnings portion of the withdrawal subject to taxes and a 10% federal penalty tax.

You or the distributing 529 Plan will need to provide a copy of your account statement that reflects the amount of earnings and contributions represented by the rollover. If you don't, the entire amount of the rollover will be considered earnings. Generally, a rollover is not subject to taxes or penalties if these requirements are met. See the Change of Beneficiary section for information about federal gift taxes.

To roll over your Learning Quest Advisor account directly to another state's 529 Plan, please contact the other plan to initiate the request.

## Change of Beneficiary

You can change the beneficiary on your account at any time. You may want to do this if the student does not attend college or if the student graduates and there is money left over in the account. To change the beneficiary without taxes or penalty, you'll need to name an Eligible Family Member of the Designated Beneficiary as the new beneficiary. See Page 5 for definition of Eligible Family

Member of the Designated Beneficiary. If you don't, the transaction will be considered a nonqualified withdrawal for tax purposes. You may make this change by telephone or in writing on a *Designated Beneficiary Change* form. Please note that the beneficiary cannot be changed on accounts where the Account Owner is also the beneficiary and a minor.

A federal gift tax may apply if you name a new beneficiary who is one generation or more younger than the current beneficiary. If the new beneficiary you name is two or more generations younger than the current beneficiary, a federal generation-skipping tax may apply. Gift and/or generation-skipping tax may be owed in the year in which the beneficiary change was completed. For more information, contact your financial professional or tax advisor.

## Change of Account Owner

You can change the Account Owner at any time by transferring ownership of the account to another eligible Account Owner. To do this, you'll need to provide written consent of all the current Account Owners along with an application completed by the new Account Owner(s). A signature guarantee is required if the account balance is more than \$100,000. The Account Owner cannot be changed on accounts where the Account Owner is also the beneficiary and a minor.

If the account ownership is changing as a result of divorce, evidence satisfactory to the Program Manager of the divorce may be required.

If the Account Owner dies, a copy of the death certificate is required. The account will automatically transfer to any surviving Joint Account Owner or to the designated successor Account Owner if there is no surviving Joint Account Owner. The Designated Beneficiary will become the Account Owner if there is no surviving Joint Account Owner and no surviving successor Account Owner on file. If the Designated Beneficiary is a minor, a Responsible Individual is required for the account.

You may designate a successor Account Owner on your account application. You may designate or change a successor Account Owner by telephone, online or in writing.

## Estate Planning Benefits

Learning Quest Advisor has several estate planning benefits to consider.

**No federal gift tax.** Contributions to a Learning Quest Advisor account are generally considered completed gifts to the beneficiary for purposes of the federal gift tax exclusion. If your contributions to a Learning Quest Advisor account for a beneficiary, together with all your other gifts to the beneficiary, do not exceed \$13,000 per year (\$26,000 for spousal gifts), your contributions will not be subject to the federal gift tax. If you gift more than \$13,000 (\$26,000 for spousal gifts) to a beneficiary in any single year, you will need to file IRS Form 709.

You may not have to pay federal gift tax on your contributions of up to \$65,000 for each student (\$130,000 for spousal gifts) in a single year. To qualify, you must file a gift tax return and elect to treat the gift as if it were made in equal payments over five years. To avoid gift tax, you should not make any additional gifts to the student during that time. If you die during the five-year period, the remaining portion of the gift would need to be included in your estate.

Your contribution must be received and processed on or before December 31 in order to qualify for the gift tax exclusion. Check with your tax advisor for more information. The amounts may be adjusted on an annual basis.

**Your contributions to the account are removed from your taxable estate.** You maintain control of the account, including how the money is used and who will be the beneficiary. The value of the Learning Quest Advisor account will be included in the estate of the beneficiary. The only exception occurs if you are spreading a gift over five years for gift taxes. If you die within that five-year period, the gifts for the years up to and including the year of your death are removed from your estate and the subsequent years' gifts are included in your estate. Contact your tax advisor for more information.

*The availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of withdrawals, or other factors.*

## Credit Protection

Credit protection may apply if you are a Kansas resident. If the beneficiary is the lineal descendant of the Account Owner, all of the money in the account is exempt from creditor claims on the Account Owner or beneficiary, except in the following situations:

- Amounts contributed within a one-year period preceding the filing date of a bankruptcy petition or execution of judgment for such claims against the Account Owner are not exempt.

- Amounts exceeding \$5,000 contributed between one and two years preceding the filing date of a bankruptcy petition or preceding an execution on judgment for such claims against the Account Owner are not exempt.

If you are not a Kansas resident, the laws of the state where you reside will determine whether credit protection applies to the assets in your account.

## Account Statements

Quarterly account statements provide the information you need to keep informed of your progress toward meeting your college investing goals. They provide your account balance, transactions and performance. Confirmations are sent for all account transactions except for automatic investments from your bank or paycheck, Upromise sweep contributions and systematic exchanges and withdrawals, which are confirmed on the quarterly statement. You will receive quarterly account statements by U.S. mail, and you may log in to view them online at [learningquest.com](http://learningquest.com). You can also elect to receive eCommunication for quarterly and daily statements by registering online. You will receive email notifications when your statements are available online, reducing the need for paper statements.

## Tax Reporting

### IRS Form 709

This form is used to report gifts to another party or to pay the tax for generation-skipping transactions. If your annual gift to a beneficiary is more than \$13,000 for any reason, you will need to file Form 709 with your tax return. You also will need to complete the form if you elect to treat a gift of up to \$65,000 (\$130,000 for spousal gifts) as being made equally over a five-year period. If a new beneficiary who is two or more generations younger than the current beneficiary is named for the account, a generation-skipping tax may apply. We suggest you consult a tax advisor to determine if you need to file this form.

### IRS Form 1099-Q

This form provides information about the withdrawals taken from a Learning Quest Advisor account during the tax year. It shows the portions of the withdrawal that are earnings and contributions, as well as the gross

amount of the withdrawal. In January, we will send the distributee, who may be the Account Owner and/or the beneficiary, a Form 1099-Q for withdrawals made payable to him or her from the account in the previous year. You will also receive a 1099-Q if you completed a rollover to another state's 529 Plan during the year. Rollovers are not taxable, but the withdrawal is reportable to the IRS. If the withdrawal is payable solely to the eligible educational institution, the 1099-Q will be issued to the beneficiary. If the withdrawal is payable to any other third party, the 1099-Q will be issued to the Account Owner. The issuance of a 1099-Q to the distributee does not mean the withdrawal is considered a taxable event. Check with your tax advisor about reporting this information on your tax return. We also will report the information on Form 1099-Q to the IRS.

## Additional Information

### Prohibited Transactions

You cannot borrow money from the account, and it cannot be used as collateral for a loan.

### Modifying or Canceling a Transaction

Investment instructions are irrevocable. That means that once you have mailed or otherwise transmitted your transaction instructions, you may not modify or cancel them.

### Financial Aid

Federal financial aid may be available to a student even if a parent or student owns a 529 account. Part of the financial aid process is to determine a student's financial need. Parents will need to include 529 assets on which they are the Account Owner as an investment in calculating their net worth on the Free Application for Federal Student Aid (FAFSA). Assets in a 529 account owned by a student, or a custodian of the student, will also be considered assets of the parents. Assets held in a 529 account by someone other than the parents or student, such as grandparents, are not considered in the calculation for financial aid. Withdrawals taken from 529 accounts owned by the parents or student to pay for qualified education expenses currently are not included in the income portion of the financial aid formula.

This information is only a summary and not intended as advice. You should consult a financial aid advisor or the U.S. Department of Education's Web site at [www.ed.gov](http://www.ed.gov) for more information about financial aid.

## Investment Options

Learning Quest Advisor offers a variety of investment options. If you want a diversified investment that will become more conservative as the beneficiary gets closer to starting college, consider an age-based investment. If you or your financial professional prefer to pick your investments and decide when it's time to make a portfolio change, one of the static investments might be right for you.

Information about the age-based investments and the static portfolios is below and on the following pages. Information about the stock, bond and money market funds that the portfolios hold and the specific underlying funds is on Pages 26–33.

### Definitions of Investment Risk

Use these definitions to help you decide the level of risk you are comfortable with in an age-based risk track or a static portfolio.

#### Aggressive

For long-term investors who want high growth potential and don't need current income. This type of investor can handle a substantial amount of year-to-year volatility in exchange for potentially higher long-term returns.

#### Moderate

For long-term investors who do not need current income and want some growth potential. This type of investor can handle some volatility in exchange for potentially moderate long-term returns.

#### Conservative

For investors who seek current income and stability, with modest potential for increase in the value of their investments.

### Age-Based Investments

An age-based investment is just that — based on the age of the beneficiary. You can choose between three different risk tracks — conservative, moderate and aggressive. We will use the track you select and the age of the beneficiary to determine how to invest your assets. As the beneficiary gets older, your assets will move to a progressively more conservative portfolio.

#### Conservative, Moderate and Aggressive Tracks

The conservative, moderate and aggressive tracks let you invest based on your comfort with risk. Once you pick one of the three risk tracks, we will invest your

assets in the portfolio that corresponds to that risk track and to the current age of the beneficiary. Over time, your assets will move to one or more of the six diversified portfolios that make up these three tracks. These six portfolios invest in a mix of stock, bond and money market funds from multiple investment managers, including American Century Investments, Principal Funds, OppenheimerFunds, Columbia Management and American Beacon Funds.

The table below shows the risk tracks and the progression of the portfolios within each of the age brackets. After your beneficiary reaches a new age bracket, your assets will be transferred to the next portfolio in your risk track. The transfers occur generally on the 5th of every month. Your assets will be included in the next monthly transfer that follows the 8th, 12th, 15th and 18th birthdays of the beneficiary. If the date falls on a weekend or a holiday, the transfer will take place on the next business day.

Please call if you would like more details concerning the schedule for when your assets will transfer. We will not adjust the schedule based on market conditions. You will not be notified prior to when your account will be transferred; however, you will receive a confirmation in the mail after the transfer is complete. These transfers are not considered your one allowable portfolio change per year.

### Conservative, Moderate and Aggressive Tracks

Age of the Beneficiary	Conservative Track	Moderate Track	Aggressive Track
0 - 7	Conservative Portfolio	Moderate Portfolio	Very Aggressive Portfolio
	↓	↓	↓
8 - 11	Very Conservative Portfolio	Moderate Portfolio	Aggressive Portfolio
	↓	↓	↓
12 - 14	Very Conservative Portfolio	Conservative Portfolio	Moderate Portfolio
	↓	↓	↓
15 - 17	Very Conservative Portfolio	Very Conservative Portfolio	Conservative Portfolio
	↓	↓	↓
18+	Short-Term Portfolio	Short-Term Portfolio	Short-Term Portfolio

Throughout the year, the portfolios used in the age-based tracks will rebalance whenever their stock, bond and money market allocations are outside the defined ranges. The program manager may make changes to the underlying holdings or the asset allocation in the portfolios on a generally annual basis.

If you find that the track you selected does not fit with your investing style or goals, you may change your portfolio selection. See Page 8 for more information on Changing Portfolio Options. You also may change portfolios if there is a change of beneficiary for the account. See Change of Beneficiary on Page 10.

### Static Portfolios

The static portfolios offer a fixed-allocation strategy, which means that the amount of stock, bond and money market funds in the portfolios is set and will not change. If you select a static portfolio, your assets will remain in that portfolio until you close the account or you change portfolios. You also may change your portfolio selection if you change the beneficiary of the account.

The static portfolios offer you a variety of investment choices.

- **Diversified Portfolios** – These six portfolios offer you a diversified investment based on your comfort with risk. They range from very aggressive to very conservative to short term. These are the same six portfolios that are used in the age-based tracks, but when selected as a static portfolio, you decide when it is time to make a change. See Page 14 for the asset allocation for these portfolios.
- **100% Equity Portfolio** – The 100% Equity Portfolio offers you an investment that invests in a mix of domestic and international stock mutual funds if you want to focus on an all-stock investment.
- **Single-Fund Portfolios** – These 12 portfolios each invest in a single underlying mutual fund. See Create a Customized Investment on the next page to learn how to work these portfolios into your investment strategy.

The number of underlying funds in the static portfolios varies. Some hold a single fund while others hold a mix of funds to meet their investment objective. The program manager may make changes to the underlying holdings or asset allocation in portfolios with multiple funds on at least an annual basis.

### Create a Customized Investment

You and your advisor may select one or more of the 12 single-fund portfolios to build your own customized investment. Together you can handpick which portfolios you want to invest in based on the stock, bond and money market asset mix you prefer for your account. Talk with your financial professional for more information about a customized investment, including whether one is right for you.

## Descriptions of the Learning Quest Advisor Portfolios

### Diversified Portfolios

Used in age-based tracks and available as static portfolios.

#### Very Aggressive Portfolio

The Very Aggressive Portfolio seeks long-term capital growth by investing in a targeted mix of stock and bond mutual funds. To keep the portfolio optimized, the program manager may make changes to the underlying holdings each year. As with any investment, and particularly because of this portfolio's high exposure to stocks, your withdrawal value may be more or less than your original investment. This portfolio is one of the six that make up the age-based tracks and also is available as a static investment.

#### Aggressive Portfolio

The Aggressive Portfolio seeks long-term capital growth with minimal income by investing in a targeted mix of stock and bond mutual funds. To keep the portfolio optimized, the program manager may make changes to the underlying holdings each year. As with any investment, your withdrawal value may be more or less than your original investment. This portfolio is one of the six that make up the age-based tracks and also is available as a static investment.

#### Moderate Portfolio

The Moderate Portfolio seeks long-term growth with moderate income by investing in a targeted mix of stock, bond and money market mutual funds. To keep the portfolio optimized, the program manager may make changes to the underlying holdings each year. As with any investment, your withdrawal value may be more or less than your original investment. This portfolio is one of the six that make up the age-based tracks and also is available as a static investment.

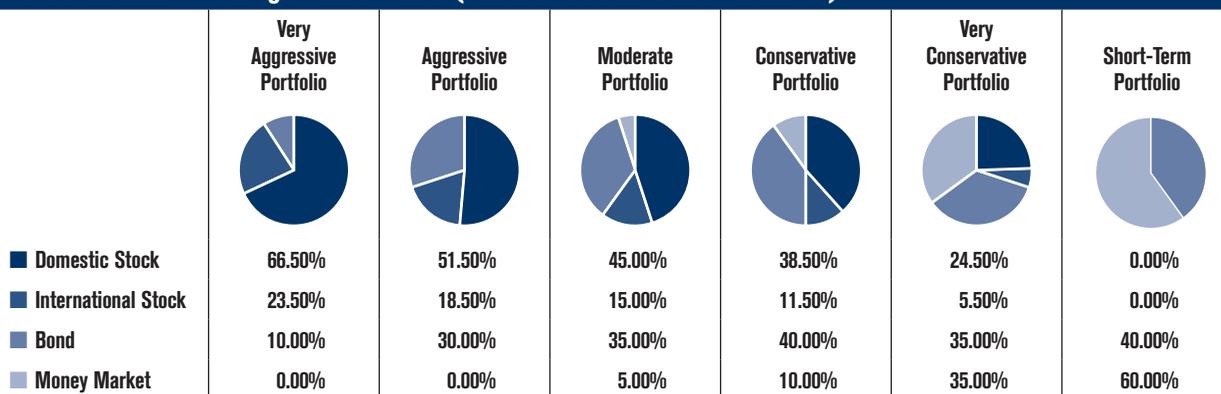
#### Conservative Portfolio

The Conservative Portfolio seeks current income with moderate growth by investing in a targeted mix of stock, bond and money market mutual funds. To keep the portfolio optimized, the program manager may make changes to the underlying holdings each year. As with any investment, your withdrawal value may be more or less than your original investment. This portfolio also is one of the six that make up the age-based tracks and also is available as a static investment.

## Asset Class Allocations of the Age-Based Portfolios

As of July 1, 2011

### Portfolios Used in the Age-Based Tracks (also available as Static Portfolios)



## Asset Class Allocations of the Static Portfolios

As of July 1, 2011

Static Portfolios					
	<b>100% Equity Portfolio</b>	<b>International Growth Portfolio</b>	<b>Disciplined Growth Portfolio</b>	<b>Heritage Portfolio</b>	<b>Small Cap Growth Portfolio</b>
					
<b>Domestic Stock</b>	75.00% <sup>1</sup>	0.00%	100.00%	100.00%	100.00%
<b>International Stock</b>	25.00% <sup>1</sup>	100.00%	0.00%	0.00%	0.00%
<b>Bond</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Money Market</b>	0.00%	0.00%	0.00%	0.00%	0.00%
	<b>Fundamental Equity Portfolio</b>	<b>Value Portfolio</b>	<b>Mid Cap Value Portfolio</b>	<b>Real Estate Portfolio</b>	
					
<b>Domestic Stock</b>	100.00%	100.00%	100.00%	100.00%	
<b>International Stock</b>	0.00%	0.00%	0.00%	0.00%	
<b>Bond</b>	0.00%	0.00%	0.00%	0.00%	
<b>Money Market</b>	0.00%	0.00%	0.00%	0.00%	
	<b>Diversified Bond Portfolio</b>	<b>Inflation Protection Bond Portfolio</b>	<b>International Bond Portfolio</b>	<b>Money Market Portfolio</b>	
					
<b>Domestic Stock</b>	0.00%	0.00%	0.00%	0.00%	
<b>International Stock</b>	0.00%	0.00%	0.00%	0.00%	
<b>Bond</b>	100.00%	100.00%	100.00%	0.00%	
<b>Money Market</b>	0.00%	0.00%	0.00%	100.00%	

<sup>1</sup> When considering the appropriate portfolio, please keep in mind that American Century Global Growth is included in the International Stock asset allocation in the charts above even though the fund can invest in both domestic and international stocks.

### **Very Conservative Portfolio**

The Very Conservative Portfolio seeks current income with minimal growth by investing in a targeted mix of stock, bond and money market mutual funds. To keep the portfolio optimized, the program manager may make changes to the underlying holdings each year. As with any investment, your withdrawal value may be more or less than your original investment. This portfolio also is one of the six that make up the age-based tracks and also is available as a static investment.

### **Short-Term Portfolio**

The Short-Term Portfolio seeks current income and a high degree of stability by investing in a targeted mix of bond and money market mutual funds. This is the final portfolio for the three age-based tracks and the one your account will move into when the beneficiary reaches 18. It also is available as a static investment.

### **100% Equity Portfolio**

#### **100% Equity Portfolio**

The 100% Equity Portfolio seeks to provide long-term capital growth and high returns by investing in a mix of domestic and international stock funds. The portfolio remains fully invested at all times. To keep the portfolio optimized, the program manager may make changes to the underlying holdings at least annually each year. As with any investment, and particularly because of this portfolio's high exposure to stocks, your withdrawal value may be more or less than your original investment.

### **Single-Fund Portfolios**

#### **International Growth Portfolio**

The International Growth Portfolio seeks capital growth by investing in the American Century International Growth Fund. The fund invests primarily in developed markets through foreign large-cap growth stocks. International investing involves special risks such as political instability and currency fluctuations.

#### **Disciplined Growth Portfolio**

The Disciplined Growth Portfolio seeks long-term capital growth by investing in the American Century Disciplined Growth Fund. This fund invests in large capitalization companies with growth potential and sustainable earnings.

### **Heritage Portfolio**

The Heritage Portfolio seeks long-term capital growth by investing in the American Century Heritage Fund. The fund invests in mid-sized and smaller companies with growth and capital return potential. Historically small and mid cap stocks are more volatile than the stocks of larger more established companies.

### **Small Cap Growth Portfolio**

The Small Cap Growth Portfolio seeks long-term growth by investing in the American Century Small Cap Growth Fund. This fund pursues a high-growth strategy by investing in small-cap stocks. Historically stocks of smaller-sized companies are more volatile than the stocks of larger more established companies.

### **Fundamental Equity Portfolio**

The Fundamental Equity Portfolio seeks long-term capital growth with income as a secondary objective by investing in the American Century Fundamental Equity Fund. This fund invests in both large-cap growth and large-cap value stocks.

### **Value Portfolio**

The Value Portfolio seeks long-term capital growth with income as a secondary objective by investing in the American Century Value Fund. This fund invests in companies of all sizes believed to be undervalued.

### **Mid Cap Value Portfolio**

The Mid Cap Value Portfolio seeks long-term capital growth and income by investing in the American Century Mid Cap Value Fund. This fund invests in high-quality mid-sized companies. Historically small and mid cap stocks are more volatile than the stocks of larger more established companies.

### **Real Estate Portfolio**

The Real Estate Portfolio seeks high total investment return by investing in the American Century Real Estate Fund. The fund invests primarily in real estate investment trusts and companies engaged in the real estate industry. Due to the limited focus of this fund, it may experience greater volatility than funds with a broader investment strategy. An investment in this portfolio is not intended to serve as a complete investment program by itself.

### **International Bond Portfolio**

The International Bond Portfolio seeks high total investment return by investing in high-quality, non-dollar-denominated government and corporate debt securities outside the United States. International investing involves special risks such as economic climate, political discipline and currency fluctuations.

### **Inflation Protection Bond Portfolio**

The Inflation Protection Bond Portfolio seeks total return and inflation protection by investing in the American Century Inflation Protection Bond Fund. The fund invests at least 80% of assets in inflation-linked debt securities. Generally, as interest rates rise, bond prices fall. The opposite is true when interest rates decline.

### **Diversified Bond Portfolio**

The Diversified Bond Portfolio seeks high current income by investing in the American Century Diversified Bond Fund. The fund will invest at least 80% of its assets in high and medium-grade, non-money market debt securities. These securities include corporate bonds and notes, government securities and securities backed by mortgages or other assets. Shorter-term securities round out the portfolio. Generally, as interest rates rise, bond prices fall. The opposite is true when interest rates decline.

### **Money Market Portfolio**

The Money Market Portfolio seeks high current income and capital preservation by investing in the American Century Premium Money Market Fund. This fund invests in high-quality, short-term securities of banks, governments and corporations.

Accounts invested in the Money Market Portfolio will accrue dividends daily. Those dividends automatically reinvest into the accounts each month.

*An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.*

### **Additional Information about the Portfolios**

The performance of each Learning Quest Advisor portfolio is dependent on the performance of the underlying funds. The value of each portfolio will vary from day to day due to changes in the markets in which the funds invest.

You will own units of interest of the Learning Quest Advisor portfolio you select, not direct shares of the underlying mutual fund(s). When you withdraw, your account may be worth more or less than the amount of your contributions. Accounts established under Learning Quest Advisor and their earnings are neither insured nor guaranteed by the state of Kansas, the Kansas State Treasurer or American Century Investments.

### **Fees and Expenses**

#### **Underlying Fund Expenses**

Each Learning Quest Advisor portfolio realizes its pro rata share (weighted average) of the fees and expenses of the underlying funds in which it invests. The amount of the underlying fund expense realized by a portfolio is based on the amount of each fund held and the expense ratio of that fund. In the case of portfolios that have only one underlying fund, the expense realized is the annual operating expense of the one underlying fund.

#### **Program Management Fee**

The program management fee is charged to a portfolio for expenses incurred, including the administration and management of the program. The fee is currently at an annual rate of 0.20%. It is charged against the assets of all the portfolios except the Money Market Portfolio.

The table on Page 18 provides the total fee for each of the Learning Quest Advisor portfolios. These total fees may be higher or lower depending on the amount of the underlying funds held by each portfolio and the actual expenses of those funds. The investment return of each portfolio will be net of the underlying fund expenses and the program management fee (if applicable), as described previously.

### Fee and Expense Structure of the Learning Quest Advisor Portfolios

	Underlying Fund Expenses <sup>1</sup>	Program Management Fee	Total Portfolio Fee
Very Aggressive Portfolio	1.03%	0.20%	1.23%
Aggressive Portfolio	0.94%	0.20%	1.14%
Moderate Portfolio	0.87%	0.20%	1.07%
Conservative Portfolio	0.80%	0.20%	1.00%
Very Conservative Portfolio	0.65%	0.20%	0.85%
Short-Term Portfolio	0.47%	0.20%	0.67%
100% Equity Portfolio	1.08%	0.20%	1.28%
International Growth Portfolio	1.35%	0.20%	1.55%
Disciplined Growth Portfolio	1.05%	0.20%	1.25%
Heritage Portfolio	1.01%	0.20%	1.21%
Small Cap Growth Portfolio	1.39%	0.20%	1.59%
Fundamental Equity Portfolio	1.01%	0.20%	1.21%
Value Portfolio	1.01%	0.20%	1.21%
Mid Cap Value Portfolio	1.01%	0.20%	1.21%
Real Estate Portfolio	1.16%	0.20%	1.36%
International Bond Portfolio	0.82%	0.20%	1.02%
Inflation Protection Bond Portfolio	0.49%	0.20%	0.69%
Diversified Bond Portfolio	0.60%	0.20%	0.80%
Money Market Portfolio	0.38%	N/A	0.38%

<sup>1</sup> For purposes of this table, underlying fund expenses are calculated using the expense ratio of each underlying fund, taking into account any applicable reductions due to fee waivers. Expense ratios are determined from the underlying fund's most recent shareholder report. Such expense ratios are then multiplied by the portfolio's expected underlying holdings as of July 1, 2011. The actual underlying fund expenses of a portfolio may vary from those shown in this table.

### Additional Fee Information

A returned investment fee may be automatically deducted from your account each time one of the following occurs:

- An investment has a stop payment placed on it.
- A check or electronic transfer is drawn on insufficient funds.
- A check has irregularities, including, but not limited to, a questionable signature.

The program manager reserves the right to charge fees for special services required for any Account Owner.

The program administrator reserves the right to change fees at any time. We will notify all account owners of fee changes in a timely manner.

The Kansas State Treasurer doesn't charge Account Owners any fee based on the assets held in the Program. Instead, the Kansas State Treasurer's Office annually receives \$315,000 from the program manager to help defray its cost in administering the Program. This amount may be adjusted annually, not to exceed 5% for inflation. This payment has no relationship to the assets held in the plan or the fees charged to Account Owners by the program manager.

American Century Investment Management, Inc., receives remuneration from fund companies, including OppenheimerFunds; Principal Funds; Columbia Management; and American Beacon Funds for record-keeping, shareholder services, and other administrative services associated with funds held in the portfolios. American Century Investment Services, Inc., receives remuneration from fund companies, including OppenheimerFunds; Principal Funds; Columbia Management; and American Beacon Funds for distribution services in connection with the portfolios.

### Sales and Asset Charges for A, B and C Units

Learning Quest Advisor A, B and C Unit accounts established with the assistance of a financial professional will be subject to the expenses described in this section.

See the following information about the A, B and C purchase options and the sales and asset-based charges associated with them. There are three sales charge schedules; one is for accounts that were established and funded on or prior to April 27, 2007, and the other two are for new accounts established after that date. The sales charge may decrease depending on the size of the purchase and may be reduced or eliminated in certain circumstances.

### A Units

You will purchase A Units at the offering price, which includes the net asset value plus any applicable initial sales charge. The initial sales charge you pay when you purchase A Units will vary depending on the amount you invest and the sales charges schedule that applies to your account. The initial sales charge may be reduced or waived entirely depending on the specific conditions of

your purchase. Please refer to the following charts and information to determine the sales charges that will apply to your purchases and to see if your purchase qualifies for a reduction or waiver in sales charge.

A direct investment in the Money Market Portfolio is not subject to an initial sales charge. If in the future you exchange your investment in the Money Market Portfolio to one of the other portfolios, the appropriate sales charge will apply at that time.

There is an annual distribution fee of 0.25% on A Units. The fee is assessed on the average balance in your account and paid to your financial professional on a quarterly basis.

#### A Unit Sales Charges for Grandfathered Accounts<sup>1</sup>

Purchase Amount	Sales Charge <sup>3</sup>	Amount Paid to Your Financial Professional
< \$250,000	3.25%	3.00%
\$250,000 – \$499,999	2.50%	2.00%
\$500,000 – \$999,999	2.00%	1.75%
\$1,000,000 and higher <sup>2</sup>	none	0.00 – 1.00%

<sup>1</sup> A grandfathered account is one established and funded on or prior to April 27, 2007. It will be treated as grandfathered as long as you do not change the primary Account Owner for the account.

<sup>2</sup> A Unit purchases of \$1,000,000 or more won't have an initial sales charge, but the Units will be subject to a Contingent Deferred Sales Charge of 1% if they are withdrawn within one year of purchase. Your financial professional will receive a fee based on the amount of the investment.

<sup>3</sup> The actual total amount of your sales charge may differ slightly from amount stated due to rounding.

#### A Unit Sales Charges for New Accounts in Equity Focused Portfolios<sup>1</sup>

Purchase Amount	Sales Charge <sup>3</sup>	Amount Paid to Your Financial Professional
< \$50,000	5.75%	5.00%
\$50,000 – \$99,999	4.75%	4.00%
\$100,000 – \$249,999	3.75%	3.25%
\$250,000 – \$499,999	2.50%	2.00%
\$500,000 – \$999,999	2.00%	1.75%
\$1,000,000 and higher <sup>2</sup>	none	0.00 – 1.00%

<sup>1</sup> This fee schedule applies to new accounts established after April 27, 2007, in the Very Aggressive, Aggressive, Moderate, Conservative and 100% Equity Portfolios, and the single-fund portfolios that invest in a stock fund.

<sup>2</sup> A Unit purchases of \$1,000,000 or more won't have an initial sales charge, but the Units will be subject to a Contingent Deferred Sales Charge of 1% if they are withdrawn within one year of purchase. Your financial professional will receive a fee based on the amount of the investment.

<sup>3</sup> The actual total amount of your sales charge may differ slightly from amount stated due to rounding.

#### A Unit Sales Charges for New Accounts in Fixed Income Focused Portfolios<sup>1</sup>

Purchase Amount	Sales Charge <sup>3</sup>	Amount Paid to Your Financial Professional
< \$100,000	4.50%	4.00%
\$100,000 – \$249,999	3.50%	3.00%
\$250,000 – \$499,999	2.50%	2.00%
\$500,000 – \$999,999	2.00%	1.75%
\$1,000,000 and higher <sup>2</sup>	none	0.00 – 1.00%

<sup>1</sup> This fee schedule applies to new accounts established after April 27, 2007, in the Very Conservative, Short-Term, Inflation-Protection Bond, International Bond and Diversified Bond Portfolios.

<sup>2</sup> A Unit purchases of \$1,000,000 or more won't have an initial sales charge, but the Units will be subject to a Contingent Deferred Sales Charge of 1% if they are withdrawn within one year of purchase. Your financial professional will receive a finder's fee based on the amount of the investment.

<sup>3</sup> The actual total amount of your sales charge may differ slightly from amount stated due to rounding.

### Reduction and Waivers of Sales Charges for A Units

You may qualify for a reduction or waiver of certain sales charges, but you or your financial professional must provide certain information, including the account numbers of any accounts to be aggregated, to American Century Investments at the time of purchase in order to take advantage of such reduction or waiver.

You and your immediate family (spouse and your children under the age of majority based on your resident state guidelines) may combine most investments of any Kansas Postsecondary Education Savings Program (Kansas 529 Plan) regardless of unit class, to reduce your A Unit sales charge as described below. You may also include investments in any share class of any American Century Investments fund (excluding certain assets in money market accounts and employer sponsored retirement plans) to reduce your A Class unit sales charges on your Kansas 529 Plan account.

**Account Aggregation.** Investments made by you and your immediate family may be aggregated at each account's current market value if made for your own account(s) and other accounts within the same Kansas 529 Plan.

**Concurrent Purchases.** You may combine simultaneous purchases in any of the Kansas 529 Plan unit classes to qualify for a reduced A Unit sales charge.

**Rights of Accumulation.** You may take into account the current value of your existing holdings in any of the Kansas 529 Plan unit classes to qualify for a reduced A Unit sales charge.

**Letter of Intent.** A Letter of Intent allows you to combine Kansas 529 Plan purchases in any unit class you intend to make over a 13-month period to determine the applicable sales charge. Such purchases will be valued at their historical cost for this purpose. A portion of your account will be held in escrow to cover additional A Unit sales charges that will be due if your total investments over the 13-month period do not qualify for the applicable sales charge reduction.

**Waivers for Certain Investors.** Certain investors in A Units may receive a reduction in sales charges. The initial sales charge of A Units may be waived in the following circumstances:

- Registered representatives and other employees of financial intermediaries and their immediate family members (defined as spouses and children under the

age of majority) who have selling agreements with American Century Investments.

- Current and retired employees of American Century Investments and their immediate family members (defined as spouses and children under the age of majority), and trusts or plans established by those persons.
- Contributions made by the state of Kansas to the K.I.D.S. Matching Grant Program.
- Contributions from the Upromise Rewards Service.
- Other – Certain other investors as deemed appropriate by American Century Investments.

**Reinstatement Privilege.** Withdrawals occurring from A and/or B Units of the 529 Plan may be repurchased into an A Unit account for the same account owner, without an initial sales charge, as long as the repurchase is done within 60 days of the withdrawal. While the repurchase must be placed into an account for the same account owner, the account cannot be for the benefit of the original beneficiary. The repurchase must be done as a one-time purchase; not in installments. The amount being repurchased cannot exceed the amount originally withdrawn. You also may need to provide verification satisfactory to the program manager or your financial intermediary that the withdrawal occurred within 60 days of the A Unit investment. The program manager may cease to offer this waiver at any time without notice. If you have questions, please call your financial professional or a Learning Quest Advisor Specialist at 1-877-882-6236.

**CDSC Specifics for A Units.** Only shares purchased at a breakpoint of \$1,000,000 or higher, on which a finder's fee was paid to a financial professional, will be subject to a Contingent Deferred Sales Charge (CDSC) fee if redeemed within one year of purchase. The applicable CDSC fee is 1%. Units not subject to a CDSC will be withdrawn first, followed by the Units with the oldest purchase date. The CDSC will be in addition to any federal penalty tax you may owe for a nonqualified withdrawal. The CDSC fee may be waived in certain circumstances as outlined below in the A, B & C Unit CDSC Fee Waivers section.

### B Units

Effective December 1, 2009, Learning Quest Advisor B Units were no longer available for purchase. New accounts may only be established through either exchanges and/or re-registration of existing B Units of other Learning Quest Advisor portfolios and

through dividend reinvestments. 12b-1 fees and contingent deferred sales charge schedules are unchanged and remain in effect. Existing investors cannot make any additional purchases, including initial or subsequent purchases.

If you move your initial purchase of B Units from the Money Market Portfolio to another portfolio, the program manager or one of its affiliates will pay your financial professional 2.5% of the amount invested for accounts established on or prior to April 27, 2007, or 4% for accounts established after this date.

An annual distribution fee of 1% of the average account balance will be assessed until the month of the eight-year anniversary of the purchase date. At that time, the B Units automatically will convert to A Units. This fee is assessed on the average balance in your account. Your financial professional is paid 0.25% of the fee on a quarterly basis, and the remaining 0.75% is retained by the program manager or one of its affiliates.

**CDSC Specifics for B Units.** A CDSC will apply if you withdraw your investment in B Units within the time periods specified in the following table. The original purchase cost is used to calculate the CDSC. The CDSC doesn't apply to initial investments made directly to the Money Market Portfolio made before December 1, 2009. However, in the future, if you move your B Units from the Money Market Portfolio to another portfolio, the B Units CDSC schedule will apply beginning on the date of the exchange. If an investment is transferred to the Money Market Portfolio from a portfolio with a CDSC schedule that is still active, the CDSC schedule that exists at the time of the transfer will carry over with the Units. Units not subject to a CDSC will be withdrawn first, followed by the Units with the oldest purchase date. The CDSC will be in addition to any federal penalty tax you may owe for a nonqualified withdrawal. The CDSC fee may be waived in certain circumstances as outlined in the A, B & C Unit CDSC Fee Waivers section.

Accounts Opened Prior to April 27, 2007 <sup>1</sup>		Accounts established after April 27, 2007	
Year of Withdrawal	CDSC	Year of Withdrawal	CDSC
1	2.50%	1	5.00%
2	2.15%	2	4.00%
3	1.80%	3	3.00%
4	1.45%	4	3.00%
5	1.10%	5	2.00%
After 5th year	None	6	1.00%
		After 6th Year	None

<sup>1</sup> A grandfathered account is one established and funded prior to April 27, 2007. It will be treated as grandfathered as long as you do not change the primary Account Owner for the account.

## C Units

There is no initial sales charge if you and your financial professional select C Units for your Learning Quest Advisor account. C Units are purchased at net asset value, so the full amount of your purchase is invested in your chosen portfolio. Although no initial sales charge is assessed, your financial professional will receive a payment of 1% of your contribution from the program manager or one of its affiliates. An annual distribution fee of 1% (0.75% for the Money Market Portfolio) of the average account balance will be assessed to your account. This fee is assessed on the average balance in your account and retained by the program manager or one of its affiliates for the first 12 months from your purchase date and thereafter is paid to your financial professional on a quarterly basis.

**CDSC Specifics for C Units.** If you withdraw your investment at any time during the first year of purchase, a CDSC of 1% will be assessed. The CDSC doesn't apply to initial investments made directly to the Money Market Portfolio. However, in the future, if you move your C Units from the Money Market Portfolio to another portfolio, the C Units CDSC schedule will apply beginning on the date of the exchange. If an investment is transferred to the Money Market Portfolio from a portfolio with a CDSC schedule that is still active, the CDSC schedule that exists at the time of the transfer will carry over with the Units. Units not subject to a CDSC will be withdrawn first, followed by the Units with the oldest purchase date. The CDSC will be in addition to any federal penalty tax you may owe for a nonqualified withdrawal. The CDSC fee may be waived in certain circumstances as outlined below in the A, B & C Unit CDSC Fee Waivers section.

## A, B & C Unit CDSC Fee Waivers

The CDSC will not be charged for the following situations:

- Withdrawals of Units held for the appropriate length of time as noted in the preceding table.
- Withdrawals due to the death or disability of the beneficiary.
- Withdrawals due to the receipt of a scholarship by the beneficiary (withdrawal cannot exceed the amount of the scholarship).
- A rollover to another Learning Quest Advisor account.
- A change in portfolio selection.

- Payment of account fees.
- The return of an excess contribution.

## Exchange Between Units

In situations where a Learning Quest Advisor account in A, B or C units is exchanged to Investor units within the Learning Quest direct-sold product, any applicable CDSC fee would be charged at the time of the exchange. In situations where an account in Investor units within the Learning Quest direct-sold product is exchanged to A or C units in Learning Quest Advisor, the front-end and/or advanced commissions will be waived.

## Annual Distribution Fee

The annual distribution fee that is charged on A, B and C Units is computed and accrued daily based on each portfolio's daily net assets and paid to your financial professional on a quarterly basis. This fee covers expenses related to the distribution, servicing and administration of your account, including ongoing payments to financial intermediaries.

## Approximate Cost of a \$10,000 Investment

The tables on the next two pages compare the approximate cost of investing in different unit classes over various time periods. Your actual cost may be higher or lower.

The examples in the following two tables assume an initial \$10,000 investment at a 5% annual rate of return, compounded annually. Your actual rate of return may be higher or lower. All expense rates and asset class allocations are assumed to remain the same during the duration of the time periods reflected. The examples assume the applicable maximum initial sales charge (without regard to possible breakpoints) in A Units and any contingent deferred sales charges applicable to B and C Units invested for the applicable periods. Additionally, the examples assume that the Units are withdrawn at the end of the period shown and used for higher qualified education expenses, and therefore do not consider the impact of any potential state or federal taxes. For the 10-year investment period, the annual costs shown for the B Units assume the Units are converted to A Units after the eight-year anniversary of the investment. This hypothetical investment does not intend to predict or project investment performance. Past performance is no guarantee of future results.

## Approximate Cost of a \$10,000 Investment (continued)

	1 Year					3 Years				
	A Units <sup>1</sup>	B Units <sup>1</sup>	B Units <sup>2</sup>	C Units <sup>1</sup>	C Units <sup>2</sup>	A Units <sup>1</sup>	B Units <sup>1</sup>	B Units <sup>2</sup>	C Units <sup>1</sup>	C Units <sup>2</sup>
<b>Learning Quest Advisor Portfolios</b>										
Very Aggressive Portfolio	\$717	\$627	\$227	\$227	\$227	\$1,017	\$998	\$698	\$698	\$698
Aggressive Portfolio	\$709	\$618	\$218	\$218	\$218	\$990	\$971	\$671	\$671	\$671
Moderate Portfolio	\$702	\$611	\$211	\$211	\$211	\$970	\$950	\$650	\$650	\$650
Conservative Portfolio	\$695	\$603	\$203	\$203	\$203	\$949	\$928	\$628	\$628	\$628
Very Conservative Portfolio	\$557	\$588	\$188	\$188	\$188	\$785	\$883	\$583	\$583	\$583
Short-Term Portfolio	\$540	\$570	\$170	\$170	\$170	\$731	\$827	\$527	\$527	\$527
100% Equity Portfolio	\$722	\$632	\$232	\$232	\$232	\$1,031	\$1,013	\$713	\$713	\$713
International Growth Portfolio	\$748	\$659	\$259	\$259	\$259	\$1,110	\$1,095	\$795	\$795	\$795
Disciplined Growth Portfolio	\$719	\$629	\$229	\$229	\$229	\$1,023	\$1,004	\$704	\$704	\$704
Heritage Portfolio	\$715	\$625	\$225	\$225	\$225	\$1,011	\$992	\$692	\$692	\$692
Small Cap Growth Portfolio	\$752	\$663	\$263	\$263	\$263	\$1,121	\$1,107	\$807	\$807	\$807
Fundamental Equity Portfolio	\$715	\$625	\$225	\$225	\$225	\$1,011	\$992	\$692	\$692	\$692
Value Portfolio	\$715	N/A	N/A	\$225	\$225	\$1,011	N/A	N/A	\$692	\$692
Mid Cap Value Portfolio	\$715	\$625	\$225	\$225	\$225	\$1,011	\$992	\$692	\$692	\$692
Real Estate Portfolio	\$730	\$640	\$240	\$240	\$240	\$1,055	\$1,038	\$738	\$738	\$738
International Bond Portfolio	\$574	N/A	N/A	\$206	\$206	\$835	N/A	N/A	\$635	\$635
Inflation Protection Bond Portfolio	\$542	\$572	\$172	\$172	\$172	\$737	\$833	\$533	\$533	\$533
Diversified Bond Portfolio	\$552	\$583	\$183	\$183	\$183	\$770	\$867	\$567	\$567	\$567
Money Market Portfolio	\$65	\$541	\$141	\$115	\$115	\$202	\$738	\$438	\$360	\$360

<sup>1</sup> Assumes withdrawal at the end of the period.

<sup>2</sup> Assumes no withdrawal.

## Approximate Cost of a \$10,000 Investment (continued)

	5 Years					10 Years				
	A Units <sup>1</sup>	B Units <sup>1</sup>	B Units <sup>2</sup>	C Units <sup>1</sup>	C Units <sup>2</sup>	A Units <sup>1</sup>	B Units <sup>1</sup>	B Units <sup>2</sup>	C Units <sup>1</sup>	C Units <sup>2</sup>
<b>Learning Quest Advisor Portfolios</b>										
Very Aggressive Portfolio	\$1,337	\$1,296	\$1,196	\$1,196	\$1,196	\$2,241	\$2,372	\$2,372	\$2,561	\$2,561
Aggressive Portfolio	\$1,293	\$1,250	\$1,150	\$1,150	\$1,150	\$2,147	\$2,279	\$2,279	\$2,469	\$2,469
Moderate Portfolio	\$1,258	\$1,214	\$1,114	\$1,114	\$1,114	\$2,073	\$2,205	\$2,205	\$2,397	\$2,397
Conservative Portfolio	\$1,223	\$1,179	\$1,079	\$1,079	\$1,079	\$1,999	\$2,132	\$2,132	\$2,324	\$2,324
Very Conservative Portfolio	\$1,030	\$1,101	\$1,001	\$1,001	\$1,001	\$1,730	\$1,971	\$1,971	\$2,167	\$2,167
Short-Term Portfolio	\$937	\$1,008	\$908	\$908	\$908	\$1,531	\$1,775	\$1,775	\$1,974	\$1,974
100% Equity Portfolio	\$1,362	\$1,321	\$1,221	\$1,221	\$1,221	\$2,292	\$2,424	\$2,424	\$2,611	\$2,611
International Growth Portfolio	\$1,495	\$1,456	\$1,356	\$1,356	\$1,356	\$2,567	\$2,698	\$2,698	\$2,880	\$2,880
Disciplined Growth Portfolio	\$1,347	\$1,306	\$1,206	\$1,206	\$1,206	\$2,261	\$2,393	\$2,393	\$2,581	\$2,581
Heritage Portfolio	\$1,327	\$1,286	\$1,186	\$1,186	\$1,186	\$2,220	\$2,352	\$2,352	\$2,540	\$2,540
Small Cap Growth Portfolio	\$1,514	\$1,476	\$1,376	\$1,376	\$1,376	\$2,607	\$2,738	\$2,738	\$2,919	\$2,919
Fundamental Equity Portfolio	\$1,327	\$1,286	\$1,186	\$1,186	\$1,186	\$2,220	\$2,352	\$2,352	\$2,540	\$2,540
Value Portfolio	\$1,327	N/A	N/A	\$1,186	\$1,186	\$2,220	N/A	N/A	\$2,540	\$2,540
Mid Cap Value Portfolio	\$1,327	\$1,286	\$1,186	\$1,186	\$1,186	\$2,220	\$2,352	\$2,352	\$2,540	\$2,540
Real Estate Portfolio	\$1,401	\$1,361	\$1,261	\$1,261	\$1,261	\$2,375	\$2,506	\$2,506	\$2,692	\$2,692
International Bond Portfolio	\$1,116	N/A	N/A	\$1,089	\$1,089	\$1,914	N/A	N/A	\$2,345	\$2,345
Inflation Protection Bond Portfolio	\$947	\$1,019	\$919	\$919	\$919	\$1,553	\$1,797	\$1,797	\$1,996	\$1,996
Diversified Bond Portfolio	\$1,004	\$1,076	\$976	\$976	\$976	\$1,675	\$1,917	\$1,917	\$2,114	\$2,114
Money Market Portfolio	\$352	\$856	\$756	\$623	\$623	\$787	\$1,452	\$1,452	\$1,374	\$1,374

<sup>1</sup> Assumes withdrawal at the end of the period.

<sup>2</sup> Assumes no withdrawal.

## Investment Performance

The table to the right shows the performance of the Portfolios since inception. The performance data shown represents past performance, and past performance is no guarantee of future results. The current performance may be higher or lower than the performance shown. The investment performance shown for each Learning Quest Advisor portfolio is dependent on the performance of the underlying funds in which the portfolio may invest. Due to B units being no longer available for purchase, performance is not included. To obtain performance data current to the most recent month end or performance on B units, please contact your financial professional or visit [learningquest.com](http://learningquest.com).

As with any investment, it is possible to lose money by investing in this plan. The value of your Learning Quest Advisor account may fluctuate, and it is possible for the value of your account to be less than the amount you invested.

Performance is as of April 30, 2011.

## Right to Change Investment Guidelines

The management agreement between the program administrator and American Century Investment Management, Inc., includes investment guidelines that are detailed in this Handbook.

The guidelines may be changed from time to time by the program administrator in consultation with American Century Investment Management, Inc., if investment conditions indicate that such changes would be beneficial and accomplish the purpose of the program.

The underlying funds in the portfolios are subject to change by the program administrator or in the event that the relationship between the parties is terminated.

## Change of Program Manager and Program Investments

Upon the expiration or early termination of the management agreement with American Century Investments Management, Inc., the program administrator shall determine how the assets of the program and each portfolio will be invested and has the ability to select another program manager. The current contract runs through June 30, 2014.

*The investment returns for each of the portfolios are net of underlying fund expenses, the program management fee (if applicable) and the annual distribution fee.*

Portfolio	1 Year	3 Years	5 Years	Life of Portfolio	Inception Date
Very Aggressive Portfolio - A	11.53	-0.91	N/A	-1.34	4/27/07
Very Aggressive Portfolio - C	17.55	0.41	N/A	-0.55	4/27/07
Aggressive Portfolio - A	9.18	0.89	N/A	0.19	4/27/07
Aggressive Portfolio - C	15.04	2.14	N/A	0.98	4/27/07
Moderate Portfolio - A	7.33	1.13	N/A	0.51	4/27/07
Moderate Portfolio - C	13.09	2.39	N/A	1.32	4/27/07
Conservative Portfolio - A	5.80	1.44	N/A	0.74	4/27/07
Conservative Portfolio - C	11.32	2.71	N/A	1.51	4/27/07
Very Conservative Portfolio - A	2.66	0.88	N/A	0.75	4/27/07
Very Conservative Portfolio - C	6.92	1.71	N/A	1.22	4/27/07
Short-Term Portfolio - A	-2.49	0.30	1.97	2.25	6/28/02
Short-Term Portfolio - C	1.44	1.13	2.26	2.20	6/24/02
100% Equity Portfolio - A	12.83	-2.02	1.05	4.39	12/1/03
100% Equity Portfolio - C	18.74	-0.75	1.53	4.58	12/1/03
International Growth Portfolio - A	17.66	-3.70	N/A	-1.83	4/27/07
International Growth Portfolio - C	24.03	-2.44	N/A	-1.01	4/27/07
Disciplined Growth Portfolio - A	17.8	3.46	N/A	1.15	4/27/07
Disciplined Growth Portfolio - C	24.14	4.74	N/A	1.94	4/27/07
Heritage Portfolio - A	21.06	2.12	N/A	4.68	4/27/07
Heritage Portfolio - C	27.57	3.39	N/A	5.51	4/27/07
Small Cap Growth Portfolio - A	24.75	5.68	N/A	3.73	4/27/07
Small Cap Growth Portfolio - C	31.28	6.96	N/A	4.48	4/27/07
Fundamental Equity Portfolio - A	10.68	-0.95	N/A	-0.62	4/27/07
Fundamental Equity Portfolio - C	16.44	0.33	N/A	0.15	4/27/07
Value Portfolio - A	N/A	N/A	N/A	22.03	7/1/10
Value Portfolio - C	N/A	N/A	N/A	28.00	7/1/10
Mid Cap Value Portfolio - A	9.16	6.54	N/A	1.87	4/27/07
Mid Cap Value Portfolio - C	14.91	7.88	N/A	2.64	4/27/07
Real Estate Portfolio - A	16.19	-4.46	N/A	-6.30	4/27/07
Real Estate Portfolio - C	22.53	-3.30	N/A	-5.59	4/27/07
International Bond Portfolio - A	N/A	N/A	N/A	6.87	7/1/10
International Bond Portfolio - C	N/A	N/A	N/A	10.20	7/1/10
Inflation Protection Bond Portfolio - A	1.73	3.41	N/A	5.44	4/27/07
Inflation Protection Bond Portfolio - C	5.88	4.25	N/A	5.93	4/27/07
Diversified Bond Portfolio - A	-0.16	4.18	N/A	5.11	4/27/07
Diversified Bond Portfolio - C	4.01	5.02	N/A	5.59	4/27/07
Money Market Portfolio - A	0.01	0.61	2.15	2.03	9/2/03
Money Market Portfolio - C	0.01	0.43	1.83	1.66	9/2/03

## Underlying Holdings of the Portfolios

As of July 1, 2011

### Age-Based Portfolios (also available as Static Portfolios)

	Very Aggressive Portfolio	Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Very Conservative Portfolio	Short-Term Portfolio
American Century Growth Fund	7.75%	6.00%	5.50%	4.75%	3.00%	
Oppenheimer Capital Appreciation Fund	7.75%	5.75%	5.25%	4.50%	3.00%	
American Century Heritage Fund	5.50%	4.25%	3.00%	2.50%	1.50%	
American Century Small Cap Growth Fund	2.00%	1.50%	1.00%	0.75%		
American Century Equity Growth Fund	17.50%	13.75%	13.00%			
American Century Income & Growth Fund				11.25%	7.50%	
Columbia Diversified Equity Income Fund	15.50%	11.75%	10.75%	9.25%	6.00%	
American Century Mid Cap Value Fund	5.50%	4.25%	3.00%	2.50%	1.50%	
American Beacon Small Cap Value Fund	2.00%	1.50%	1.00%	1.00%	1.00%	
American Century Real Estate Fund	3.00%	2.75%	2.50%	2.00%	1.00%	
<b>Domestic Stock Total</b>	<b>66.50%</b>	<b>51.50%</b>	<b>45.00%</b>	<b>38.50%</b>	<b>24.50%</b>	<b>0.00%</b>
Principal Diversified International Fund	17.50%	13.25%	10.00%	7.00%	3.00%	
American Century Global Growth Fund <sup>1</sup>	6.00%	5.25%	5.00%	4.50%	2.50%	
<b>International Stock Total</b>	<b>23.50%</b>	<b>18.50%</b>	<b>15.00%</b>	<b>11.50%</b>	<b>5.50%</b>	<b>0.00%</b>
American Century Diversified Bond Fund	6.75%	20.50%	23.75%	27.25%	23.75%	30.25%
American Century Inflation Protection Bond Fund	2.00%	6.00%	7.00%	8.00%	7.00%	5.00%
American Century International Bond Fund	1.25%	3.50%	4.25%	4.75%	4.25%	4.75%
<b>Bond Total</b>	<b>10.00%</b>	<b>30.00%</b>	<b>35.00%</b>	<b>40.00%</b>	<b>35.00%</b>	<b>40.00%</b>
American Century Premium Money Market Fund <sup>2</sup>			5.00%	10.00%	35.00%	60.00%
<b>Money Market Total</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.00%</b>	<b>10.00%</b>	<b>35.00%</b>	<b>60.00%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> American Century Global Growth invests in domestic and international stocks.

<sup>2</sup> An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.

Stock investing is subject to market risks. There is no guarantee that the investment portfolios will achieve their investment objectives. As with any investment, withdrawal value may be more or less than original investment.

Generally, as interest rates rise, bond prices fall. The opposite is true when interest rates decline.

Historically, small- and mid-cap stocks have been more volatile than the stocks of larger, more established companies.

International investing may involve special risks including foreign taxation, currency fluctuations, risks associated with possible differences in financial standards, and other monetary and political risks associated with future political and economic development.

American Century Investments funds are distributed by American Century Investment Services, Inc. Principal Funds are distributed by Principal Funds Distributor, Inc. Oppenheimer funds are distributed by Oppenheimer Funds Distributor, Inc. Columbia Funds are distributed by Columbia Management Investment Distributors, Inc. American Beacon Funds are distributed by Foreside Fund Services, LLC.

## Underlying Holdings of the Portfolios (continued)

As of July 1, 2011

### Static Portfolios

#### 100% Equity Portfolio

American Century Growth Fund	8.50%
Oppenheimer Capital Appreciation Fund	8.50%
American Century Heritage Fund	7.00%
American Century Small Cap Growth Fund	2.50%
American Century Equity Growth Fund	18.50%
Columbia Diversified Equity Income Fund	17.00%
American Century Mid Cap Value Fund	7.00%
American Beacon Small Cap Value Fund	2.50%
American Century Real Estate Fund	3.50%
<b>Domestic Stock Total</b>	<b>75.00%</b>
Principal Diversified International Fund	19.00%
American Century Global Growth Fund <sup>1</sup>	6.00%
<b>International Stock Total</b>	<b>25.00%</b>
<b>Total</b>	<b>100.00%</b>

#### International Growth Portfolio

American Century International Growth Fund	100.00%
<b>International Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

<sup>1</sup> American Century Global Growth invests in domestic and international stocks.

#### Disciplined Growth Portfolio

American Century Disciplined Growth Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

#### Heritage Portfolio

American Century Heritage Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

#### Small Cap Growth Portfolio

American Century Small Cap Growth Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

#### Fundamental Equity Portfolio

American Century Fundamental Equity Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

#### Value Portfolio

American Century Value Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

## Underlying Holdings of the Portfolios (continued)

As of July 1, 2011

### Mid Cap Value Portfolio

American Century Mid Cap Value Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

### Real Estate Portfolio

American Century Real Estate Fund	100.00%
<b>Domestic Stock Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

### International Bond Portfolio

American Century International Bond Fund	100.00%
<b>Bond Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

### Diversified Bond Portfolio

American Century Diversified Bond Fund	100.00%
<b>Bond Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

### Inflation Protection Bond Portfolio

American Century Inflation Protection Bond Fund	100.00%
<b>Bond Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

### Money Market Portfolio

American Century Premium Money Market Fund <sup>1</sup>	100.00%
<b>Money Market Total</b>	<b>100.00%</b>
<b>Total</b>	<b>100.00%</b>

<sup>1</sup> An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.

Stock investing is subject to market risks.

Generally, as interest rates rise, bond prices fall. The opposite is true when interest rates decline.

Historically, small- and mid-cap stocks have been more volatile than the stocks of larger, more established companies.

International investing may involve special risks including foreign taxation, currency fluctuations, risks associated with possible differences in financial standards, and other monetary and political risks associated with future political and economic development. Investing in emerging markets may accentuate these risks.

There is no guarantee that the investment portfolios will achieve their investment objectives. As with any investment, withdrawal value may be more or less than original investment.

American Century Investments funds are distributed by American Century Investment Services, Inc. Principal Funds are distributed by Principal Funds Distributor, Inc. Oppenheimer funds are distributed by Oppenheimer Funds Distributor, Inc. Columbia Funds are distributed by Columbia Management Investment Distributors, Inc.; American Beacon Funds are distributed by Foreside Fund Services, LLC.

## Descriptions of the Underlying Mutual Funds

The Learning Quest Advisor portfolios invest in mutual funds from multiple investment managers including American Century Investments, OppenheimerFunds, Principal Funds, Columbia Management and American Beacon Funds. The funds in which a portfolio may invest are described below. For complete information about a fund's investment strategy and risk factors, you may request a fund prospectus.

*You should consider a fund's investment objectives, risks, and charges and expenses carefully before you invest. A prospectus or summary prospectus contains this and other information about a fund, and should be read carefully before investing. For an American Century Investments fund prospectus, please call 1-877-882-6236; for an Oppenheimer fund prospectus, call 1-800-525-7048; for a Principal fund prospectus, call 1-800-222-5852; for a Columbia Management fund prospectus, call 1-800-215-5005 and for an American Beacon fund prospectus, call 1-800-658-5811.*

Fund	Objective	Investment Strategy	Potential Risks/Rewards
<b>Domestic Stock Funds</b>			
Oppenheimer Capital Appreciation Fund	Capital Appreciation seeks capital appreciation.	Invests mainly in common stocks of growth companies that may be newer companies or established companies of any capitalization range that the portfolio manager believes may appreciate in value over the long term.	Aggressive – Stock markets can be volatile, and the price of the fund's shares can go up and down substantially. Growth stocks may be more volatile than other equity investments. Investments in small- and mid-cap companies may be especially volatile.
American Century Disciplined Growth Fund	Disciplined Growth seeks long-term capital growth.	Invests in large capitalization companies with growth potential and sustainable earnings through a quantitative investment approach.	Aggressive – High return potential with corresponding high price fluctuations, including possible gains and/or losses. It is possible to lose money in the fund.
American Century Growth Fund	Growth seeks long-term capital growth.	Invests in large, growing companies that are benefiting from sustainable business improvement.	Aggressive – Returns will fluctuate with market and economic conditions.
American Century Heritage Fund	Heritage seeks long-term capital growth.	Invests primarily in medium-sized and smaller companies whose earnings and revenues are growing at an accelerating rate.	Aggressive – Returns will fluctuate with market and economic conditions. Historically, small- and mid-cap stocks have been more volatile than the stocks of larger, more established companies.
American Century Small Cap Growth Fund	Small Cap Growth seeks long-term growth.	Invests in smaller companies whose earnings and revenues are growing at an accelerating rate.	Aggressive – Historically, small-cap stocks have been more volatile than the stocks of larger, more established companies.

## Descriptions of the Underlying Mutual Funds (continued)

Fund	Objective	Investment Strategy	Potential Risks/Rewards
<b>Domestic Stock Funds (continued)</b>			
American Century Real Estate Fund	Real Estate seeks high total investment return through a combination of capital appreciation and current income.	Attempts to access the benefits of investing in real estate without the cost and complexities of direct investments in real estate.	Aggressive – Due to the limited focus of this fund, it may experience greater volatility than funds with a broader investment strategy. It is not intended to serve as a complete investment program by itself.
American Beacon Small Cap Value Fund	Small Cap Value is a multi-manager fund that seeks long-term capital appreciation and current income primarily through investments in small market capitalization U.S. stocks.	Invests primarily in stocks of U.S. companies with market capitalizations of \$3 billion or less at the time of investment. These may consist of common stocks, preferred stocks, securities convertible into common stocks, U.S. dollar-denominated American Depositary Receipts, and U.S. dollar-denominated foreign stocks traded on U.S. exchanges.	Aggressive – The value of your investment may go down in response to overall stock market movements and trends. Because the fund may invest a significant portion of its assets in small companies, its performance may be more volatile than that of a fund that invests primarily in large companies.
Columbia Diversified Equity Income Fund	Diversified Equity Income seeks a high level of current income, with growth of capital as a secondary objective.	The Fund's management team employs a contrarian investment approach to try to identify good long-term investment ideas among companies that are disliked, forgotten or misunderstood. The Fund invests primarily in dividend paying large-cap stocks but may opportunistically invest in mid- and small-cap stocks as well. Leveraging a team of experienced analysts, the Fund uses a collaborative and interactive team approach to integrate valuation analysis, fundamental research and behavioral views.	Moderate – Principal risks may include active management risk, issuer risk and market risk. Historically, small- and mid-cap stocks have been more volatile than the stocks of larger, more established companies. International investing involves special risks such as political instability and currency fluctuations.
American Century Equity Growth Fund	Equity Growth seeks long-term capital growth by investing in common stocks.	Invests in well-established companies with both growth and value characteristics. Utilizes a quantitative process designed to maximize returns while maintaining portfolio characteristics and risk levels similar to the S&P 500.	Moderate – Returns will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. The fund may outperform or underperform other funds that employ a different investment style.

## Descriptions of the Underlying Mutual Funds (continued)

Fund	Objective	Investment Strategy	Potential Risks/Rewards
<b>Domestic Stock Funds (continued)</b>			
American Century Fundamental Equity Fund	Fundamental Equity seeks long-term capital growth. Income is a secondary objective.	Invests in both large-cap growth and large-cap value stocks. The fund seeks to provide better returns than, and a dividend yield comparable to, the S&P 500.	Moderate – The value and/or returns of the fund will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. The fund may outperform or underperform other funds that employ a different investment style. International investing involves special risks such as political instability and currency fluctuations.
American Century Income & Growth Fund	Income & Growth seeks long-term capital growth by investing in common stocks, with income as a secondary objective.	Employs a risk-controlled, quantitative investment process while seeking to outperform and distribute higher dividends than the S&P 500.	Moderate – Returns will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. The fund may outperform or underperform other funds that employ a different investment style.
American Century Value Fund	Value seeks long-term capital growth, with income as a secondary objective.	Seeks to invest in companies of all sizes believed to be undervalued.	Moderate – High return potential with corresponding high price fluctuation. Returns will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. The fund may outperform or underperform other funds that employ a different investment style.
American Century Mid Cap Value Fund	Mid Cap Value seeks long-term capital growth, with income as a secondary objective.	Invests in mid-sized companies at a discount to their true worth.	Moderate – Returns will fluctuate with market and economic conditions. Historically, mid-cap stocks have been more volatile than the stocks of larger, more established companies. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. The fund may outperform or underperform other funds that employ a different investment style.

## Descriptions of the Underlying Mutual Funds (continued)

Fund	Objective	Investment Strategy	Potential Risks/Rewards
<b>International Stock Funds</b>			
Principal Diversified International Fund	Diversified International seeks long-term growth of capital.	Invests in a portfolio of equity securities of companies domiciled in any of the nations of the world, focusing on companies with improving and sustainable business fundamentals, rising investor expectations and attractive relative valuation. Primary consideration is given to securities of corporations of Western Europe, Canada, Australia, New Zealand and the Pacific Islands.	Aggressive – Foreign markets may not perform as well as U.S. markets. Political and economic uncertainty in foreign countries, as well as less public information about foreign investments, may negatively impact the fund's portfolio. Emerging market countries and companies doing business in emerging market countries may not have the same range of opportunities as companies in more developed countries.
American Century Global Growth Fund	Global Growth seeks capital growth.	Invests in U.S. and international markets and focuses on companies that meet rigorous standards for sustainable, improving growth in earnings and revenue, regardless of sector or geographic region.	Aggressive – High return potential with corresponding high price fluctuation. International investing involves special risk considerations including economic and political conditions, inflation rates and currency fluctuations.
American Century International Growth Fund	International Growth seeks capital growth.	Invests primarily in securities of companies located in at least three developed countries worldwide (excluding the United States). Under normal market conditions, the fund identifies foreign companies with accelerating earnings and revenues.	Aggressive – International investing involves special risks such as political instability and currency fluctuations.

## Descriptions of the Underlying Mutual Funds (continued)

Fund	Objective	Investment Strategy	Potential Risks/Rewards
<b>Bond Funds</b>			
American Century International Bond Fund	International Bond seeks high total return.	Invests in high-quality, non-dollar-denominated international government and corporate debt securities. Invests at least 80% of assets in debt securities.	Aggressive – High return potential with corresponding high price fluctuation. International investing involves special risk considerations. These include economic and political conditions, expected inflation rates and currency swings.
American Century Diversified Bond Fund	Diversified Bond seeks high current income.	Invests across a variety of bond sectors including U.S. Treasury, U.S. government agency, and corporate and mortgage-backed securities. Having no maturity restrictions enables fund managers to take advantage of opportunities across the yield curve.	Moderate – The value and/or returns of a portfolio will fluctuate with market and economic conditions. The fund's investment in fixed income securities is subject to the risks associated with debt securities including credit, price and interest rate risk. When interest rates rise, bond prices generally fall and increase when interest rates fall.
American Century Inflation Protection Bond Fund	Inflation Protection Bond seeks total return with inflation protection.	Invests at least 80% of assets in domestic inflation-linked debt securities. Has the flexibility to leverage foreign inflation-linked debt and high-yield securities to potentially enhance total return.	Moderate – Returns will fluctuate with market and economic conditions. This fund's investments in fixed income securities are subject to the risks associated with debt securities including credit, price and interest rate risk. Interest payments on inflation-protected debt securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable.
<b>Money Market Fund</b>			
American Century Premium Money Market Fund	Premium Money Market seeks current income and capital preservation.	Invests in high-quality, cash-equivalent securities including short-term obligations of banks, governments and corporations that are payable in U.S. dollars.	Conservative – High-quality debt securities are among the safest securities available, the interest they pay is among the lowest for income-paying securities. Accordingly, the yield on this fund will likely be lower than funds that invest in longer-term or lower-quality securities. <i>An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.</i>

## PART 2 – LEARNING QUEST PARTICIPATION AGREEMENT

### Article 1 – Introduction

The person or persons signing the accompanying Application hereby agree to participate in the Program and be subject to the terms and conditions of this Participation Agreement (“Agreement”), the Program and the Act.

The Account Owner’s participation shall be effective when the completed and fully executed Application is received and accepted by the Program Manager.

Accounts established under the Kansas Postsecondary Education Savings Program and their earnings are neither insured nor guaranteed by the state of Kansas, the Kansas State Treasurer or the Program Manager.

### Article 2 – Definitions

As used in the Agreement, the following terms shall have the meaning hereinafter set forth, unless a different meaning is plainly required by the context:

2.1 “*Account*” means an individual savings account established by the Account Owner for the Designated Beneficiary in accordance with the provisions of the Act and the Code.

2.2 “*Account Owner*” means the person or persons who enter into this Participation Agreement pursuant to the Act and who retain ownership of the Account. An Account Owner shall include a successor Account Owner and may also be the Designated Beneficiary of the Account. In the event more than one person is an Account Owner, any one registered Account Owner may act on the Account unless either Account Owner requests, with the approval of the Program Manager, that all account transactions be submitted in writing, signed by all Account Owners.

2.3 “*Act*” means Sections 75-640 through 650 of the Kansas Statutes Annotated, as amended, and any regulations promulgated thereunder.

2.4 “*Application*” means the application by which this Participation Agreement, as amended from time to time, is accepted by the Account Owner. The statements contained therein shall be incorporated into this Participation Agreement.

2.5 “*Code*” shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

2.6 “*Designated Beneficiary*” means, with respect to an Account, the individual designated at the time the Account is established as the individual whose Qualified Higher Education Expenses are expected to be paid from the Account or, in the case of a change in beneficiaries, the individual who is the successor Designated Beneficiary. An Account Owner can be the Designated Beneficiary. If no Designated Beneficiary is named at the time an Account is established by a state or local government or any other organization exempted from such requirement under the Act, the Designated Beneficiary shall be each individual who receives a scholarship from such Account.

2.7 “*Maximum Account Balance*” means the account balance limit for contributions as determined annually by the Treasurer.

2.8 “*Member of the Family*” means an individual as defined in Section 529 of the Code.

2.9 “*Program*” means the Kansas Postsecondary Education Savings Program established pursuant to the Act.

2.10 “*Program Manager*” means American Century Investment Management, Inc., or any successor.

2.11 “*Qualified Higher Education Expense*” means any qualified higher education expense as defined in Section 529 of the Code.

2.12 “*Responsible Individual*” means the person or persons acting on behalf of a Designated Beneficiary who is an Account Owner and who has not attained the age of majority under laws of the state in which the Designated Beneficiary is a resident.

2.13 “*Rollover*” means a rollover distribution as defined in Section 529 of the Code.

2.14 “*Treasurer*” means the Treasurer of the state of Kansas.

2.15 “*Trust*” means the trust fund established under the Act and held and administered by the Treasurer under the Program.

### Article 3 – Contributions

3.1 **Receipt of Contributions.** Contributions to the Account may be made by the Account Owner or any other person or entity. All contributions to the Account shall be made in cash. The Program Manager shall

accept and hold in the Account such contributions as it may receive from time to time and shall invest such contributions on behalf of the Account Owner. Restrictions, including limitations as to the amount of contributions and method for making contributions, may be imposed by the Program Manager.

**3.2 Rollover and Transfer Contributions.** All or any portion of a tuition program qualified under Section 529 of the Code may be rolled over, in cash, to the Account in a form or manner acceptable to the Program Manager. Similarly, all or any portion of another investment option, including an Education Savings Account described in Section 530 of the Code or a qualified U.S. Savings Bond described in Section 135 of the Code, authorized under the Code for transfer to a qualified tuition program established under Section 529 of the Code may be transferred in cash to the Account in a form and manner acceptable to the Program Manager. In accepting or making any such transfer or Rollover, the Treasurer and the Program Manager assume no responsibility for the tax consequences of the transfer or Rollover. The Program Manager and the Treasurer will not be responsible for any losses that may be incurred as a result of the timing of any transfer or Rollover from or to a tuition program that are due to circumstances reasonably beyond the control of the Program Manager.

**3.3 Contribution Limits.** A contribution may not be made to an Account if it would cause the Maximum Account Balance to be exceeded. The Program Manager will make this determination by adding the aggregate Account balances for a Designated Beneficiary under the Program as of a date specified by the Treasurer, plus all contributions made for a Designated Beneficiary since that date, less all withdrawals, Rollover distributions and transfers from the Accounts since that date. If any contribution is received by the Program Manager for any Designated Beneficiary that, when added to the amount determined in the preceding sentence, would exceed the Maximum Account Balance, that portion of the contribution that would constitute the excess shall be returned. If, at any time, cumulative contributions for a Designated Beneficiary exceed the Maximum Account Balance, the Program Manager will notify the Account Owner of such excess contribution and solicit instructions for its removal. If the Account Owner does not direct a withdrawal or Rollover distribution of the excess contribution within 30 days of such notice, the Program Manager shall

process a withdrawal of the excess contribution adjusted for any gain or loss attributable to the period it has been held in the Account. The proceeds of the withdrawal shall be forwarded to the Account Owner.

#### **Article 4 – Designated Beneficiary**

**4.1 Designation of Beneficiary.** The Account Owner shall specify a Designated Beneficiary, who can be an Account Owner, of the Account on the Application, unless the Account Owner is an organization exempted from this requirement under the Act. The Account Owner may change the current Designated Beneficiary on an Account at any time to a successor Designated Beneficiary provided the successor is a Member of the Family of the Designated Beneficiary. Such change of Designated Beneficiary must be submitted online, by telephone or in writing on a form provided or approved by the Program Manager and shall be effective upon receipt and approval by the Program Manager.

**4.2 Designated Beneficiary as Account Owner.** In the event the Designated Beneficiary has not attained the age of majority under laws of the state in which the Designated Beneficiary is a resident at the time the Designated Beneficiary becomes an Account Owner, an adult shall complete an Application on behalf of the Designated Beneficiary for the purpose of establishing or maintaining the Account. The person executing the Application on behalf of the minor will be designated the “Responsible Individual” and shall exercise all the rights, powers and duties of the Account Owner with respect to administration, management and distribution of the Account until the Designated Beneficiary attains the age of majority, including but not limited to choosing an investment strategy, directing withdrawals and designating successor Responsible Individuals. Until the Designated Beneficiary attains the age of majority, the Designated Beneficiary shall have no authority with respect to the administration, management, designation of successor Account Owners or withdrawals from the Account. The Program Manager may rely on any instruction or direction made by the Responsible Individual and shall deliver all required notices or documents to the Responsible Individual. When the Designated Beneficiary attains the age of majority, the Designated Beneficiary shall automatically assume full control of the Account, and the Responsible Individual will be removed and will no longer have authority on the Account.

If the Responsible Individual becomes incapacitated or dies before the Designated Beneficiary has attained the age of majority under laws of the state in which the Designated Beneficiary is a resident, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual in a designation accepted by the Program Manager. This designation may be completed online, by telephone or in writing. If no successor is so named, the successor Responsible Individual shall be the surviving parent of the Designated Beneficiary or, if no parent shall survive the Designated Beneficiary, the guardian, conservator or other legal representative, wherever appointed, of the Designated Beneficiary. Evidence satisfactory to the Program Manager of the death or disability of the Responsible Individual must be provided.

## **Article 5 – Investments**

**5.1 Investment Selection.** When an Account is established, the Account Owner, Responsible Individual or UGMA/UTMA custodian will designate one of the investment options offered by the Program for the Account. The Program Manager shall invest all contributions in the investment option designated by the Account Owner. The Account Owner may change the investment option subject to any restrictions imposed by the Code, the Act or any regulations promulgated thereunder.

**5.2 Statements.** The Program Manager will provide to the Account Owner periodic statements reflecting the value of the Account, contributions, withdrawals and any other transactions in the Account during the period. Unless the Account Owner sends the Program Manager written objection to the report within thirty (30) days of receipt, the Account Owner shall be deemed to have approved such report, and the Program Manager, the Treasurer and the state of Kansas, their officers, employees, attorneys and agents shall be forever released and discharged from all liability and accountability to anyone with respect to all matters covered by the statement.

## **Article 6 – Withdrawals**

**6.1 Withdrawals.** Only the Account Owner can request a withdrawal from the Account at any time and from time to time. The Program Manager shall process each such request upon receipt of a withdrawal request, completed online, by telephone or in writing on a form approved by and acceptable to the Program Manager.

The Designated Beneficiary, unless he or she is also the Account Owner, cannot direct a withdrawal from the Account. The Account Owner may, subject to any restrictions imposed by the Program Manager, direct the Program Manager to distribute any withdrawals from the Account directly to any person, corporation, university, college or any other entity. Anything herein to the contrary notwithstanding, the Program Manager is empowered to make a distribution absent such instruction from the Account Owner if directed to do so pursuant to a court order, and the Program Manager shall, in such event, incur no liability for acting in accordance with such court order.

**6.2 Rollover Withdrawal.** All or any portion of the Account may be rolled over to a tuition program qualified under Section 529 of the Code if so directed by the Account Owner in a form or manner acceptable to the Program Manager. In accepting or making any such rollover, the Treasurer and the Program Manager assume no responsibility for the tax consequences of the Rollover. The Program Manager will not be responsible for any losses the Account Owner may incur as a result of the timing of any transfer from or to a tuition program that are due to circumstances reasonably beyond the control of the Program Manager.

## **Article 7 – Change of Account Owner**

**7.1 Change of Account Ownership.** Account ownership may be transferred to another eligible person or persons, without penalty, with the consent of the Account Owners. Such request must be submitted in writing on a form provided or approved by the Program Manager, shall be effective upon receipt and approval by the Program Manager, and must be accompanied by an Application completed by the new Account Owner.

**7.2 Designation of Successor Account Owner.** The Account Owner may designate, on the Application, any person or persons, including the Designated Beneficiary, as the successor Account Owner of the Account. Any such designation may be revoked by the Account Owner at any time and shall be automatically revoked upon receipt by the Program Manager of a subsequent designation in valid form bearing a later execution date. The designation and any subsequent designation must be submitted online, by telephone or in writing on a form provided or approved by the Program Manager and shall be effective upon receipt and approval by the Program Manager. This right of

designation shall extend to the successor Account Owner in the event the successor Account Owner becomes the Account Owner under Section 7.3.

**7.3 Death of an Account Owner Prior to the Distribution of the Entire Account.** In the event an Account Owner dies, the ownership of the Account shall fully vest in the remaining Account Owners of the Account. If there is no surviving Account Owner, the ownership of the Account shall vest in the successor Account Owner designated by the Account Owner. If there is no surviving Account Owner or successor Account Owner, or if the successor Account Owner disclaims ownership in the Account, ownership of the Account shall fully vest in the Designated Beneficiary. If the Designated Beneficiary becomes a successor Account Owner due to the death of the Account Owner and has not attained the age of majority under laws of the state in which the Designated Beneficiary is a resident at such time, the Account shall be administered, as provided in Section 4.2, by the Responsible Individual. In such event the Responsible Individual shall be the surviving parents of the Designated Beneficiary or, if no parent shall survive the Designated Beneficiary, the guardian, conservator or other legal representative, wherever appointed, of the Designated Beneficiary. In any event, evidence satisfactory to the Program Manager of the death of such persons must be provided.

**7.4 Transfer on Divorce.** All or a portion of an Account Owner's interest in the Account may be transferred to a new Account established by a spouse or former spouse pursuant to a decree of divorce or separate maintenance agreement or a written instrument incident to such a decree, in which event the transferred portion shall be held as a separate Account. In any event, evidence satisfactory to the Program Manager of the divorce or separation may be required.

## **Article 8 – Amendment and Termination**

**8.1 Amendment.** The Program Manager, with the consent of the Treasurer, reserves the right to amend this Agreement, in whole or in part, to meet the requirements of the Code, the Act or for any other purpose. Any such amendments may be retroactively effective if such amendment is necessary to conform the Agreement to, or satisfy the conditions of, any law, governmental regulation or ruling and to permit the Agreement to meet the requirements of the Code or Act. The Program Manager shall furnish a notice of any such amendment to the Account Owner.

**8.2 Termination.** The Program Manager may terminate an Account and distribute the balance of such Account if it shall determine that (a) the Account Owner or the Designated Beneficiary has provided false, fraudulent or misleading information or made a material misrepresentation to the Program Manager, the Treasurer or an institution of postsecondary education as defined in the Act, or (b) the Account balance does not meet the minimum balance criteria established by the Program Manager. The Program Manager, with the consent of the Treasurer, reserves the right to terminate or suspend this Agreement, the Trust and the Program at any time. Nothing contained in the Agreement or the Program shall be construed as an agreement or representation by the Treasurer or the Program Manager that either will continue to maintain this Agreement, the Trust or the Program indefinitely.

## **Article 9 – Miscellaneous**

**9.1 Fees.** All taxes or penalties of whatever kind or character that may be imposed, levied or assessed upon or in respect to an Account or the Program Manager in its capacity as such; all expenses incurred by the Program Manager in the performance of its duties hereunder, including fees of attorneys and other persons engaged by the Program Manager for service in connection with an Account; and all fees and other compensation of the Program Manager for its services hereunder, according to the schedule in effect from time to time, shall be deducted from the Account by the Program Manager.

**9.2 Loans.** No Account or any portion thereof may be used as collateral or pledged as security for a loan. Any such assignment shall have no force or effect. Similarly, an Account Owner or Designated Beneficiary may not borrow, assign or transfer any assets in an Account, except as provided in this Agreement.

**9.3 Minors.** If a distribution is payable to a person known by the Program Manager to be a minor or otherwise under a legal disability, the Program Manager may, in its absolute discretion, make all or any part of the distribution to (a) a parent of such person, (b) the guardian, committee or other legal representative, wherever appointed, of such person, (c) a custodial account established under a Uniform Gifts to Minors Act, Uniform Transfers to Minors Act or similar act, (d) any person having control or custody of such person, (e) the Responsible Individual, or (f) to such person directly.

**9.4 Applicable Law.** Except as otherwise provided herein, all questions arising with respect to the Program and this Agreement shall be determined by application of the laws of the state of Kansas, except to the extent the Code or any other federal statutes supersede Kansas law.

**9.5 Exclusive Benefit.** At no time shall it be possible for any part of an Account to be used for, or diverted to, purposes other than for the exclusive benefit of the Account Owner or the Designated Beneficiary, except as specifically provided in this Agreement.

**9.6 Scope of Liability.** The Treasurer, the state of Kansas and the Program Manager shall not be responsible in any way for determining the appropriateness of contributions; the amount, character, timing, purpose, propriety of any distribution or withdrawal; or any other action or non-action taken at the Account Owner's request. The Account Owner and Designated Beneficiary shall at all times fully indemnify and save harmless the Treasurer, the state of Kansas, the Program Manager, their officers, agents, employees, affiliates, and successors and assigns from and against any and all liability, loss, damage or expense, including attorney's fees, which may arise in connection with the Program, except liability arising from the gross negligence or willful misconduct of the Treasurer or the Program Manager.

The Program Manager shall be under no duty to take any action other than as herein specified with respect to an Account, unless the Account Owner shall furnish the Program Manager with instructions in proper form and such instructions shall have been specifically agreed to by the Program Manager in writing; or to defend or engage in any suit with respect to an Account, unless the Program Manager shall first have agreed in writing to do so and shall have been fully indemnified to the satisfaction of the Program Manager.

The Program Manager may conclusively rely upon, and shall be protected in acting upon, any order from the Account Owner or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed, and so long as it acts in good faith, in taking or omitting to take any other action. Any such order or notification shall be provided in writing on an original document or, at the Program Manager's discretion, may be provided by a copy thereof reproduced through photocopying, fax transmission or electronic transmission. For this purpose, the Program Manager may (but is not required to) give the same effect to a verbal instruction

as it gives to a written instruction, and the Program Manager's action in doing so shall be protected to the same extent as if such verbal instructions were, in fact, a written instruction. The Program Manager shall not be obliged to determine the accuracy or propriety of any such directions and shall be fully protected in acting in accordance therewith. If instructions are received that, in the opinion of the Program Manager, are unclear or are not given in accordance with the Program and this Agreement, the Program Manager shall not be liable for loss of income, or for appreciation or depreciation in an Account's value, during the period preceding the Program Manager's receipt of written clarification of the instructions. Although the Program Manager shall have no responsibility to give effect to a direction from anyone other than the Account Owner or Responsible Individual, the Program Manager may, in its discretion, establish procedures pursuant to which the Account Owner or Responsible Individual may delegate to a third party any and all of the Account Owner's or Responsible Individual's powers and duties hereunder, provided, however, that in no event may anyone other than the Account Owner or Responsible Individual execute the Application by which this Agreement is adopted or the form by which the Designated Beneficiary, successor Account Owner or successor Responsible Individual are designated.

The establishment of an Account under the Program does not guarantee that any Designated Beneficiary will be accepted as a student by or will be graduated from any institution of postsecondary education or be treated as a Kansas state resident for tuition purposes.

**9.7 Appointment of Agent.** The Program Manager may appoint agents, including American Century Services, LLC, and its affiliates, Upromise Investment Advisors, LLC, and persons in their employ, to perform its ministerial acts hereunder, including, but not limited to, the acceptance and investment of contributions to the Account, acceptance of transfers from other tuition programs, maintenance of Account records, filing of any federal or state required information returns, maintenance of beneficiary and successor designations, collection and remittance of the Program Manager's fees, any taxes or penalties and payment of distributions. The authorizations and protections afforded the Program Manager hereunder shall apply equally to such agents in their performance of all such delegated acts.

**9.8 Judicial Determination.** Anything to the contrary herein notwithstanding, in the event of reasonable doubt respecting the proper course of action to be taken, the Program Manager may in its sole and absolute discretion resolve such doubt by judicial determination, which shall be binding on all parties claiming any interest in the Account. In such event, all court costs, legal expenses, reasonable compensation of time expended by the Program Manager in its duties, and other appropriate and pertinent expenses and costs shall be collected by the Program Manager from the Account.

**9.9 Nomenclature.** Titles of articles and division into sections are for general information and convenience of reference and are to be ignored in any construction of the provisions hereof. As used herein, the masculine shall include the feminine and the singular, the plural in all cases in which such meanings would be appropriate.

**9.10 Binding Agreement.** This Agreement shall be binding upon the Account Owner, Responsible Individual, Designated Beneficiary, their heirs, executors or administrators and upon any person to whom any Account Owner, Responsible Individual or Designated Beneficiary has attempted to make an assignment contrary to the provisions hereof.

**9.11 Notices.** Any notice sent from the Program Manager to the Account Owner, Responsible Individual or Designated Beneficiary shall be effective when sent by mail, special delivery or electronic transmission.

**9.12 Severability.** If any part or parts of this Agreement shall be held to be void or unenforceable, such part or parts shall be treated as severable, leaving valid the remainder of this Agreement notwithstanding the part or parts found to be void or unenforceable.

IN WITNESS WHEREOF, this instrument has been executed on behalf of the state of Kansas.

State of Kansas  
Office of the Treasurer

By: *Ron Estes*

Ron Estes, Kansas State Treasurer







**ADMINISTERED BY KANSAS STATE TREASURER RON ESTES**

Managed by American Century Investment Management, Inc.

**Contact Information**

**1-877-882-6236**

**[learningquest.com](http://learningquest.com)**

**Mailing Address**

**Learning Quest Advisor**

**P.O. Box 2947**

**Shawnee Mission, KS 66201-1347**

**Overnight Delivery**

**Learning Quest Advisor**

**2534 Madison Avenue, Floor 3**

**Kansas City, MO 64108**

American Century Investment Services, Inc., Distributor and Underwriter

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