

# Program Overview

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# ProgramOverview

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## Important Notices

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- This Program Overview, including the Account Owner Agreement, attached hereto as Appendix A and incorporated hereby (“the Program Overview”) describes the Section 529 college savings plan available through Waddell & Reed, Inc. (the “InvestEd Plan”) and should be read in conjunction with the account application for the InvestEd Plan and the current prospectuses for Waddell & Reed InvestEd Portfolios and the Ivy Funds, the investment options available in an InvestEd Plan account. The InvestEd Plan is offered by Waddell & Reed, Inc. as part of the Arizona Family College Savings Program, a 529 plan administered by the Arizona Commission for Postsecondary Education (the “Arizona Family College Savings Program” or “Program”). Waddell & Reed, Inc. is one of multiple financial institutions eligible to offer investments under the Program.
- InvestEd Plan accounts are held in the name and for the benefit of the Arizona Commission for Postsecondary Education in its capacity as Trustee (the “Trustee”) of the Family College Savings Program Trust Fund (the “Trust”). An investment in the Program constitutes a purchase of an interest in the Trust, a municipal fund security. Trust interests 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 by a public instrumentality of a state. The Trust invests in shares of Waddell & Reed InvestEd Portfolios and Ivy Funds, mutual funds (the “Funds”), that are available through Waddell & Reed, Inc. and its affiliate, Ivy Funds Distributor, Inc. and the Trust is the shareholder of the Funds, not the individual investors.
- **Depending upon the laws of the home state of the customer or designated beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if the customer invests in the home state’s 529 college savings plan. The InvestEd Plan is one of many Section 529 college savings plans available to investors. Other 529 plans offer different investment options with different investment advisors or different benefits and may be marketed differently from the InvestEd Plan.**
- Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision.
- The customer should consult with his or her financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to the customer’s specific circumstances and also may wish to contact his or her home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state’s 529 college savings plan.
- Beginning January 2008, Arizona taxpayers may invest in any state-sponsored 529 Plan and receive an Arizona adjusted gross income deduction for their contributions. Contributions up to \$750 for a single individual or a head of household (\$1,500 if married, filing jointly) may be deducted per year.
- Accounts are not insured by the State of Arizona, the Family College Savings Program Trust Fund, the Arizona Commission for Postsecondary Education, or any other governmental entity, Waddell & Reed, Inc., any affiliated or related party, and neither the principal deposited nor the investment return is guaranteed by any of the above referenced parties.
- The State of Arizona offers other 529 plan investment options under the Program. Waddell & Reed, Inc. is one of multiple financial institutions managing investment options in the Program. The Arizona Commission for Postsecondary Education reserves the ability to change financial institutions eligible to participate in the Program, through non-renewal of a financial institution’s program manager contract or for good cause, such as default by Waddell & Reed, Inc. or a determination by the State of Arizona that termination would be in the best interest of the state. Waddell & Reed, Inc. participates in the Program pursuant to a contract with the Trustee, which became effective November 18, 2006, and runs through November 18, 2010. Waddell & Reed, Inc. pays a fee to the Trustee based upon a percentage of the average value of the assets invested in InvestEd Plan accounts opened on or after November 18, 2006, at an annual rate of 0.15% for InvestEd Plan assets invested in Waddell & Reed InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for InvestEd Plan assets invested in the Ivy Funds. The fee is subject to annual negotiations between Waddell & Reed and the Trustee. Waddell & Reed, Inc. also pays to the Trustee a \$10 application fee for each InvestEd Plan account that is opened to be used to offset administrative costs associated with the Trust. These fees are paid to the Trustee by Waddell & Reed, Inc. and are not directly paid by the Account Owner.
- InvestEd Plan account owners will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in beneficiary) during calendar year 2009. Federal law generally permits 529 plan owners to make investment strategy changes only once per calendar year or upon a change in beneficiary, but the Internal Revenue Service enacted a special rule under which 529 plans may permit investments in a 529 plan account to be changed twice per calendar year for calendar year 2009. A reallocation of your InvestEd Plan account among the available investment options will be deemed to constitute an investment strategy change and will prohibit you from making any other investment changes or transferring your investment to another 529 plan sponsored by the State of Arizona during the calendar year of your change, unless they are made upon a change in beneficiary.
- This Program Overview must be accompanied by an InvestEd Plan account application and current prospectuses for Waddell & Reed InvestEd Portfolios and the Ivy Funds. Please read them carefully before investing.

## Summary of Key Features

This Summary of Key Features is a brief overview of the Section 529 college savings plan available through Waddell & Reed, Inc. as part of the Arizona Family College Savings Program, a 529 plan administered by the Arizona Commission for Postsecondary Education. The topics discussed in this Summary are discussed in more detail in this Program Overview. This Program Overview must be accompanied by an InvestEd Plan account application and current prospectuses for Waddell & Reed InvestEd Portfolios and the Ivy Funds. Please read these documents carefully before investing.

### The InvestEd Plan and the Arizona Family College Savings Program

The InvestEd Plan was established under the Arizona Family College Savings Program. The Program was established by the State of Arizona as a qualified tuition program in accordance with Section 529 of the Internal Revenue Code. InvestEd Plan accounts are held in the name and for the benefit of the Arizona Commission for Postsecondary Education in its capacity as Trustee of the Family College Savings Program Trust Fund (the "Trust"). An investment in the Program constitutes a purchase of an interest in the Trust, a municipal fund security, as more fully described in the Account Owner Agreement attached to this Program Overview. The Trust invests in Waddell & Reed InvestEd Portfolios and certain Ivy Funds. For additional information, see "InvestEd Plan Investment Options."

### Investment Options

The InvestEd Plan offers multiple investment options, including three Age-Based Portfolios, three Static Portfolios and seventeen Individual Fund Portfolios.

#### 1.) Age-Based Portfolios

The Age-Based Portfolios utilize portfolios that are customized based on a beneficiary's college time horizon and seek an appropriate level of investment risks for that time horizon. Organized as an actively managed "fund of funds", the Age-Based Portfolios help diversify your investment among a variety of mutual funds within the Waddell & Reed Advisors Funds family. The Age-Based Portfolios consist of: the Growth Portfolio, the Balanced Portfolio and the Conservative Portfolio. Each portfolio is a series of Waddell & Reed InvestEd Portfolios, a mutual fund registered under the Investment Company Act of 1940. Each portfolio invests in mutual funds within the Waddell & Reed Advisors family of funds in accordance with percentages set forth in the Waddell & Reed InvestEd Portfolios prospectus.

The Age-Based Portfolios are designed to invest in mutual funds with greater exposure to equity investments when the named beneficiary is between the ages of 0 through 8, a more balanced exposure to equity and fixed

income investments when the named beneficiary is between the ages of 9 through 15, and a greater exposure to fixed income securities when the beneficiary reaches the age of 16 and is closer to commencing his or her postsecondary education. The balance in an InvestEd Plan account is automatically exchanged to a different Age-Based Portfolio within approximately thirty (30) days of the beneficiary's 9th and 16th birthdays.

#### 2.) Static Portfolios

Static Portfolios allow an investor to select a comfortable risk level such as - conservative, moderate or aggressive – and select a corresponding investment portfolio. Like the Age-Based Portfolios, the Static Portfolios are organized as an actively managed "fund of funds," and diversify the investment among a variety of mutual funds, including domestic and international equity funds, as well as fixed income funds. Unlike the Age-Based Portfolios, an investment in a Static Portfolio will not automatically change as the beneficiary grows older

#### 3.) Individual Fund Portfolios

The seventeen Individual Fund Portfolios invest in a single mutual fund (an "Underlying Mutual Fund"), including domestic and international equity funds, specialty funds, and fixed income funds from the Ivy Funds family. For additional information, see "Investment Options."

### Risks

Investments into a 529 plan, including the InvestEd Plan, are not guaranteed, and all investments involve a certain degree of risk. The value of your InvestEd Plan account will depend upon the performance of the Portfolios in which your account is invested. Accounts are not insured and the principal and investment return is not guaranteed by the State of Arizona, the Arizona Commission for Postsecondary Education, Waddell & Reed, Inc. or any affiliated or related party. The value of your InvestEd Plan account will fluctuate and it is possible that the value of your account may be less than the amount you invested. For additional information, see "No Guarantee" and "Risk Factors." You should also review the various "Risk" sections of the Waddell & Reed InvestEd Portfolios and Ivy Funds prospectuses.

### Contributions

There are no income restrictions to open or contribute to an InvestEd Plan account. Any United States citizen or resident can open and contribute to a 529 Plan. 529 plans typically place limits on the amount that may be contributed or maintained in an account for a beneficiary. The InvestEd Plan accepts contributions until a maximum account balance per beneficiary is reached (\$340,000 for 2009-2010 academic year, including the balances in all Program accounts for the same beneficiary). For additional information, see "Contributions" and "Comparing College Savings Options."

## Taxes

Contributions to 529 plans are generally able to grow free of federal income tax until they are withdrawn. Qualified withdrawals (a withdrawal that is used at an eligible institution towards qualified expenses, including tuition, books, fees, and room and board) are currently federal income tax free. Depending on your state, qualified withdrawals may be state tax-free as well.

For Arizona residents, qualified withdrawals are Arizona income tax free. State tax benefits offered by Arizona to participants in its 529 plan are available only to the taxpayers of Arizona. Beginning January 2008, Arizona taxpayers may invest in any state-sponsored 529 Plan and receive an Arizona adjusted gross income deduction for their contributions. Contributions up to \$750 for a single individual or a head of household (\$1,500 if married, filing jointly) may be deducted per year. 529 plans offered by other states may offer tax or other benefits to taxpayers or residents of those states, such as income tax deductions, credits or exclusions for qualified withdrawals, that are not available with regard to Arizona's 529 plan. Taxpayers or residents of other states should consider such state tax treatment and other benefits, if any, before making an investment decision.

For non-qualified withdrawals, the earnings portion of any withdrawal is considered income to the recipient and subject to federal and possibly state income tax. Additionally, a 10% federal tax penalty will apply.

In addition, there are potential federal gift and estate tax benefits for contributions to a 529 plan, which are described in this Program Overview. For additional information about estate, gift and generation-skipping transfer tax consequences, see "Estate and Gift Tax Benefits." For additional information about taxes in general, see "Tax Treatment." You should consult your CPA or other tax advisor for the tax consequences associated with your specific situation.

## Limitations on Withdrawals and Transfers Between Investment Options

Mutual fund redemption fees may apply upon the withdrawal of shares owned less than one year. Please refer to the "Fees and Expenses" section of the Waddell & Reed InvestEd Portfolios and Ivy Funds prospectuses that accompany this Program Overview. Non-qualified withdrawals are subject to federal (and possibly state) income tax and a 10% federal tax penalty. Transfers between the investment options available in the InvestEd Plan are permitted only once per calendar year or upon a change in beneficiary. The Internal Revenue Service enacted a special rule under which 529 plans may permit investments in a 529 plan account to be changed twice per calendar year for calendar year 2009. As a result, InvestEd Plan account owners will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in beneficiary) during calendar year 2009 only.

## Fees and Expenses

The InvestEd Plan includes the following fees: estimated expenses from underlying mutual funds; mutual fund distribution and service (12b-1) fees; account maintenance fee; and mutual fund sales charges. The estimated expenses from underlying mutual funds are the fees associated with the underlying mutual funds. This fee is a pro rata share of the fees and expenses of the underlying mutual funds in which the Trust invests. An annual distribution and service (12b-1) fee is assessed on all shares of Waddell & Reed InvestEd Portfolios and Ivy Funds.

A \$20 account maintenance fee will be automatically deducted once a year from your account. The account maintenance fee will be waived for accounts owned by Arizona residents or accounts greater than \$25,000. Class A shares of the Age-Based and Static Portfolios and Class E shares of the Individual Fund Portfolios are subject to an initial sales charge. The InvestEd Plan does not assess cancellation fees, change in beneficiary fees or change in investment option fees.

Waddell & Reed, Inc. pays a fee to the Arizona Commission for Postsecondary Education ("Trustee") based upon a percentage of the average value of the assets invested in InvestEd Plan accounts opened on or after November 18, 2006, at an annual rate of 0.15% for InvestEd Plan assets invested in Waddell & Reed InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for InvestEd Plan assets invested in the Ivy Funds. The fee is subject to annual negotiations between Waddell & Reed and the Trustee. Waddell & Reed, Inc. also pays to the Trustee a \$10 application fee for each InvestEd Plan account that is opened to be used to offset administrative costs associated with the Trust. These fees are paid to the Trustee by Waddell & Reed, Inc. and are not directly paid by the Account Owner. No state fee is currently charged to investors. For additional information, see "Fees and Expenses."

## Additional Information

If you have any questions about establishing an InvestEd account, or desire additional information, you can contact your financial advisor, call a client service representative at 1.888.923.3355, or visit our website at [www.invested529.com](http://www.invested529.com).

## Account Owner

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There may be only one account owner and one designated beneficiary per account. A joint account may not be established. However, anyone may contribute to the plan once it is established. For example, parents, grandparents and other relatives and friends may pool contributions in one beneficiary's account. Although only one person may be listed as the account owner, you should designate a successor account owner on the InvestEd Plan account application in the event of the account owner's death. (The tax treatment and state law probate treatment of the designation of a successor account owner and the transfer of ownership to such successor is not certain and may vary depending on the particular facts and state law involved.)

## Contributions

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One of the biggest advantages to a 529 plan is that there are no income restrictions to open or contribute to an account. Any United States citizen or resident can open and contribute to a 529 plan. Once established, anyone can contribute to the established plan including parents, grandparents, aunts and uncles, even neighbors.

To open an InvestEd Plan account, a minimum initial investment of \$500 is required. InvestEd Plan accounts also may be opened with as little as \$50 if the account is established with an automatic monthly investment using our Automatic Investment Service (AIS). As with any investment, there can be no assurance that periodic purchases using AIS will produce a profit or protect against investment loss in declining markets. Redemptions from other accounts to fund an InvestEd Plan Account may be taxable transactions.

Contributions to an account will not be accepted if the aggregate balance of all Program accounts for the same beneficiary exceed the maximum allowable contribution limit (\$340,000 for the 2009-2010 academic year).

## No Guarantee

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Investments into 529 plans, including the InvestEd Plan, are not guaranteed, and all investments involve a certain degree of risk. To become more familiar with the risks involved in investing in the InvestEd Plan, please take the time to read the Waddell & Reed InvestEd Portfolios and Ivy Funds prospectuses that accompanied this Program Overview and the "Risk Factors" section of this Program Overview. The value of your InvestEd Plan account will depend upon the performance of the Investment Portfolios in which your account is invested and the Waddell & Reed Advisors Funds and Ivy Funds in which the Trust invests. Accounts are not insured by the State of Arizona, the Arizona Commission for Postsecondary Education, Waddell & Reed, Inc. or any affiliated or related party, and neither the principal invested nor the investment return is guaranteed by the State of Arizona, the Arizona Commission for Postsecondary Education, Waddell & Reed, Inc. or any affiliated or related party. As with any investment, you may lose money in an InvestEd Plan account. The value of your InvestEd Plan account will fluctuate and it is possible that the value of your account

may be less than the amount you invested.

## Account Control

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Once the account is established, the account owner remains in control of the contributions and the earnings. This is an advantage over a UTMA/UGMA or a Coverdell Education Savings Account, where the ownership is transferred to the beneficiary once they reach age of majority in their state, normally 18 or 21. Even after the beneficiary reaches the age of majority, with a 529 plan, the account owner determines how and when the money will be spent.

If the beneficiary decides not to attend college or if all of the money in the account is not depleted, the account owner can simply change beneficiaries to a family member of the original beneficiary. Qualified family members generally include a natural or legally adopted son or daughter (or descendant of either), stepson or stepdaughter, brother or sister, stepbrother or stepsister, half-brother or half-sister, father or mother (or ancestor of either), stepfather or stepmother, niece or nephew, aunt or uncle, first cousin, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or the spouse of the original designated beneficiary or any of the individuals referenced above.

The account owner can also take a non-qualified withdrawal. The withdrawal may be subject to taxes and penalties (see non-qualified withdrawals).

## TAX TREATMENT

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The following sections provide important summary information regarding the federal and state tax treatment of contributions to and withdrawals from 529 plans. The information is based upon our understanding of current law, regulation and interpretive guidance, which are subject to change at any time, and is not intended to serve as legal or tax advice or an exhaustive discussion of the tax consequences associated with a 529 plan investment. You should consult your CPA or other tax advisor for more information.

## Federal Tax Treatment

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**Contributions:** Contributions to 529 plans are generally able to grow free of federal income tax until they are withdrawn. The federal income tax laws do not currently allow a deduction for 529 plan contributions.

**Qualified withdrawals:** A qualified withdrawal is a withdrawal from a 529 plan that is used at an eligible institution towards qualified expenses including tuition, books, fees, and room and board. For 2009 and 2010, the list of qualified education expenses has been expanded to include expenses paid or incurred during this time for the purchase of any computer technology, equipment or Internet access and related services to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is enrolled at an eligible educational institution. Expenses for computer software designed for sports, games or hobbies are not included unless the software is predominately educational in nature. Qualified withdrawals are currently federal income tax free and, depending on your state, may be state tax-free as well. Eligible institutions include

accredited postsecondary educational institutions offering credit toward an associate's degree, a bachelor's degree, a graduate level or professional degree, or another recognized postsecondary credential, and certain postsecondary vocational and proprietary institutions. To be an eligible institution, an institution must be eligible to participate in U.S. Department of Education student financial aid programs. Currently there are more than 8,000 eligible institutions, including colleges, universities, community colleges and technical/vocational schools.

The account owner and/or beneficiary are responsible for obtaining and maintaining documentation sufficient to demonstrate to the Internal Revenue Service that withdrawals were used to pay for qualified educational expenses at an eligible institution. Qualified withdrawals must be payable to the beneficiary or an eligible educational institution. The cost of room and board is considered to be a qualified educational expense only if used for a beneficiary who is enrolled at least half-time at an eligible institution, as defined by IRS rules and regulations.

A beneficiary is considered to be enrolled half-time if enrolled in half of a full-time academic workload for the course of study pursued by the beneficiary, based upon the standard at the institution where the beneficiary is enrolled. Expenses for room and board that may be treated as qualified educational expenses are generally limited to the room and board allowance calculated by the eligible institution in its "cost of attendance" for purposes of determining eligibility for federal education assistance for that year. However, if a beneficiary lives in housing owned or operated by the eligible institution he or she attends, the actual amount charged for room and board may be treated as qualified educational expenses, even if higher than the "cost of attendance" figure.

**Coordination with other college savings programs:** An account owner may contribute money to, or withdraw money from, both a 529 plan and a Coverdell Education Savings Account in the same year. However, to the extent the total withdrawals from both accounts exceed the amount of the qualified educational expenses incurred that qualify for tax-free treatment under Section 529, the beneficiary must allocate the qualified educational expenses between both such withdrawals in order to determine how much may be treated as tax-free under each program. The use of a Hope Scholarship tax credit or Lifetime Learning tax credit by an account owner and beneficiary will not affect participation in or receipt of benefits from a 529 plan, as long as any withdrawal from a 529 plan is not used for the same expenses for which the credit was claimed.

**Non-qualified withdrawals:** The earnings portion of any withdrawal not used at an eligible institution for qualified expenses is considered income to the recipient and subject to federal and possibly state income tax. Additionally, a 10% federal tax penalty is applied to the earnings.

Certain withdrawals are exempt from the 10% federal tax penalty. An exception to the 10% federal penalty applies if the beneficiary becomes disabled or passes away. Also, if the beneficiary receives a qualified scholarship, the amount of the scholarship may be removed without penalty. In the case of

death, disability or scholarship, the earnings on the withdrawal will be taxed at the federal level as well as the state level depending on your state's tax rates. Once per calendar year, money may be transferred to another state's 529 plan for the same beneficiary without penalty or federal income tax consequences in a transaction known as a rollover. Please refer to the "Limitations and Penalties on Transfers" section of this Program Overview for more information regarding rollovers. Money may also be transferred to another state's 529 plan without penalty or federal income tax consequences when the beneficiary is changed to a new beneficiary who is a family member of the prior beneficiary. Please refer to the "Account Control" and "Limitations and Penalties on Transfers" sections of this Program Overview for more information regarding beneficiary changes.

To make any withdrawal from your InvestEd Plan account, an InvestEd 529 Plan Withdrawal Form must be fully completed and delivered to Waddell & Reed Services Company (the transfer agent for Waddell & Reed InvestEd Portfolios, the Waddell & Reed Advisors Funds, and the Ivy Funds, as the servicing agent for the InvestEd Plan.)

## State Tax Treatment

**Contributions:** Contributions to the InvestEd Plan are generally able to grow free of state income tax until they are withdrawn. In 2007, Arizona passed new legislation that impacts 529 Plans. For the taxable years beginning from and after December 31, 2007 through December 31, 2012, the amount contributed to ANY college savings plans established pursuant to section 529 of the Internal Revenue Code during the taxable year may be deducted up to (a) \$750 for a single individual or a head of household or (b) \$1,500 for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the deduction may be taken by either taxpayer or may be divided between them, but the total deductions allowed both husband and wife shall not exceed \$1,500.

**Arizona residents:** Qualified withdrawals are Arizona income tax free. State tax benefits offered by Arizona to participants in its 529 plan are available only to the taxpayers of Arizona.

**Non-residents of Arizona and tax-payers of other states:** 529 plans offered by other states may offer tax or other benefits to taxpayers or residents of those states, such as income tax deductions, credits or exclusions for qualified withdrawals, that are not available with regard to Arizona's 529 plan. Taxpayers or residents of other states should consider such state tax treatment and other benefits, if any, before making an investment decision. Non-residents of Arizona and tax-payers of other states may be subject to state and/or local income tax upon receipt of 529 plan withdrawals, including rollovers from other states' 529 plans to fund an InvestEd account.

Depending upon the laws of the home state of the customer or designated beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if the customer invests in the home state's 529 college savings plan.

Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision.

The customer should consult with his or her financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to the customer's specific circumstances and also may wish to contact his or her home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state's 529 college savings plan.

**Non-qualified withdrawals:** The earnings portion of any withdrawal not used at an eligible institution for qualified expenses may be subject to state income or other tax penalties.

**Consult your tax advisor:** Please consult your CPA or other tax advisor regarding the potential tax consequences associated with your participation in the Program. Tax laws are subject to change at any time.

## Estate and Gift Tax Benefits

There are potential federal gift and estate tax benefits for contributions to a 529 plan. Contributions to a 529 plan are treated as completed gifts to the beneficiary. As a result, the contributions and any earnings in the account are generally excluded from your taxable estate for federal estate tax purposes, provided you are not also the beneficiary on the account.

Through use of the annual \$13,000 gift tax exclusion (\$26,000 in the case of a married couple), it is possible to contribute substantial amounts to an account without incurring any gift tax. An election can be made (on the federal gift tax return) to spread up to \$65,000 of a contribution to a 529 plan over five years. (If the contributor dies before the end of the five-year period, the portion of the gift allocable to the years remaining in the five-year period would be in the contributor's estate for federal estate tax purposes.) Thus, a lump-sum contribution of \$65,000 may generally be made by each donor (e.g., \$130,000 in the case of a married couple) to a 529 plan on behalf of each beneficiary without any gift tax consequences as long as the donor does not give gifts to the same beneficiary in the five-year period. Although additional contributions may also be made, within the contribution limitations of the plan, that exceed the annual gift tax exclusion (including the effect of the five-year election), such contributions may result in gift, estate or generation skipping transfer tax consequences to the contributor. There may be federal gift or generation skipping transfer tax consequences if the new beneficiary is a member of a lower generation than the prior beneficiary. Consult your CPA or other tax advisor regarding the impact of gift, estate or generation skipping transfer tax consequences.

## Limitations and Penalties on Transfers

Transferring from one state's 529 plan to another state's plan is allowed once per calendar year without requiring a change in beneficiary. If naming a new beneficiary, a transfer can be made any time. If you choose to transfer the plan and name a different beneficiary, federal gift, estate and/or generation skipping transfer tax consequences, as generally described above, may occur if the new beneficiary is a member of a lower generation than the prior beneficiary. Transfers from other 529 plans (also known as "rollovers") may come directly from the other 529 plan (a "direct rollover") or from the account owner through a withdrawal from the other 529 plan (an "indirect rollover"). Money received by an account owner in an indirect rollover must be contributed to the new 529 plan within sixty (60) days of the withdrawal to avoid tax penalties and adverse federal income tax consequences. Not all states permit direct rollovers from their 529 plans. In addition, there may be state income tax consequences resulting from a rollover out of a state's 529 plan. Arizona currently does not impose a tax penalty for rollovers to other 529 plans. Please consult your CPA or other tax advisor for more information regarding your individual situation.

Transferring from one 529 plan to another requires completing a 529 Plan Transfer Request Form and an InvestEd account application if an InvestEd account has not already been established.

You may reallocate your InvestEd Plan account among the available investment options or transfer to another 529 plan sponsored by the State of Arizona only once each calendar year or upon a change in beneficiary. A reallocation of your InvestEd Plan account among the various investment options will, under federal regulations, be deemed to constitute your one permitted investment strategy change during a calendar year and prevent you from making any other investment changes or transferring your investment to another 529 plan sponsored by the State of Arizona during the calendar year of your change. A transfer to another 529 plan sponsored by the State of Arizona that exceeds the one permitted change during a calendar year may be deemed a non-qualified withdrawal and subject to adverse tax consequences. Please refer to the "Federal Tax Treatment" and "State Tax Treatment" sections of this Program Overview for additional information. Transfers from one 529 plan sponsored by the State of Arizona to another 529 plan sponsored by the State of Arizona must be by a direct rollover. The allocation of future contributions to your InvestEd Plan account may be changed at any time and will not affect the allocation of your existing account. For more information regarding the available investment options, please refer to the "Investment Options" section of this Program Overview.

Transfers among the various investment options available in the InvestEd Plan, and limitations thereon, are described in the "Exchanges" section of the Waddell & Reed InvestEd Portfolios and Ivy Funds prospectuses that accompany this Program Overview. The Internal Revenue Service enacted a special rule under which 529 plans may permit investments in a 529 plan account to be changed twice per calendar year for calendar year

2009. As a result, InvestEd Plan account owners will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in beneficiary) during calendar year 2009 only.

An account owner may change beneficiaries without adverse federal income tax consequences if the new beneficiary is a qualified family member of the beneficiary. Please refer to the "Account Control" section of this Program Overview for a listing of qualified family members. If the new beneficiary is not a qualified family member of the former beneficiary, the beneficiary change is treated as a non-qualified withdrawal as described in the "Federal Tax Treatment" section of this Program Overview. There may also be federal gift, estate and/or generation skipping tax consequences of changing beneficiaries. Please refer to the "Estate and Gift Tax Benefits" section of this Program Overview for more information.

## **Comparing College Savings Options**

529 plans do not impose any income restriction, making them available to virtually everyone. Coverdell Education Savings Accounts, however, apply an eligibility phase-out when the modified adjusted gross income exceeds \$190,000 for those filing a joint return, \$95,000 for those filing an individual return.

Coverdell Education Savings Account contributions are limited to \$2,000 per year, whereas 529 plans generally offer much more generous per-beneficiary contribution limits. If your child goes to school in 18 years, the \$36,000 you may have contributed to your Coverdell Education Savings Account (and any earnings) may be a far cry from the total expense he or she will face paying for college.

When used for qualified higher education expenses, 529 plan withdrawals are federal income tax-free.

While a portion of the gains on withdrawals from UTMA/UGMA accounts may be exempt from federal income taxation, some or all of the income may be taxed at the beneficiary's rate or the parent's rate depending on the amount of income earned and the age of the beneficiary. Please consult your tax advisor regarding the impact of state and local taxes.

UTMA/UGMA accounts, unlike 529 plans, are designed so that control of the account falls into the hands of the child when he or she reaches legal age. That means that money you have invested may or may not be used for college expenses. Control of assets within 529 plans, on the contrary, remains with the account owner, ensuring that investments are used as the account owner directs.

529 plans can potentially enable you to save more money in a tax-advantaged way than other college savings vehicles, while enabling you to maintain control of withdrawals from the account. What's more, they provide tax advantages equal to, or better than, those available from any other college savings vehicle. We believe no college savings vehicle provides as powerful a combination of benefits as do 529 plans.

For a more detailed comparison of college savings options, see the table on page 10.

## Comparing college savings options

	<b>529 Savings Plan</b>	<b>Coverdell Education Savings Accounts (Formerly Education IRAs)</b>	<b>UTMA/UGMA</b>
<b>Income limitations</b>	None	AGI limits apply	None
<b>Maximum account balance or yearly contribution limit per beneficiary</b>	Varies by state —maximum balance is until the aggregate balance of all Program accounts per beneficiary is reached (\$340,000 for 2009-2010 academic year).	\$2,000 annually	\$12,000 can be donated per contributor without exceeding the annual federal gift tax exclusion
<b>Taxation of account earnings and qualified withdrawals</b>	Account earnings grow federal income tax-deferred until withdrawn. Withdrawals are federal income tax-free if used for qualified higher education expenses. State and local taxes may apply.	Account earnings grow federal income tax-deferred until withdrawn. Withdrawals are federal income tax-free if used for qualified higher education expenses.	Earnings are taxable on a current basis at the child's and/or parent's rate, depending on the amount of income earned. Withdrawals of contributions are not subject to income tax.
<b>Ability to change beneficiaries</b>	Yes	Yes	No
<b>Control of withdrawals</b>	Owner of account	Owner of account	Transfers to child when child reaches legal age
<b>Investment options</b>	Age-based portfolios, static portfolios and single mutual fund portfolios available with many 529 plans	Wide range of securities	Wide range of securities
<b>State tax deductible contributions</b>	Varies by state	No	No
<b>Qualified use of proceeds</b>	Any accredited postsecondary school in the U.S., books, room and board. 2009 and 2010 computer technology included.	Any qualified K-12 expenses, plus any accredited postsecondary school in the U.S.	Not applicable. Custodian may make withdrawals for a variety of uses for the minor's benefit.
<b>Penalties for non-qualified withdrawals</b>	10% penalty on earnings	10% penalty on earnings	No
<b>Ownership of assets for financial aid purposes (may vary with private institutions)</b>	Normally considered account owners until withdrawals begin then earnings withdrawn count as beneficiary's income.	Student	Student
<b>Age restrictions</b>	None	Contributions to account cannot be made after beneficiary's 18th birthday. Qualified distributions must generally be taken within 30 days after beneficiary's 30th birthday unless rolled over to a new beneficiary.	Account transfers to child when child reaches legal age.

## Investment Options

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The InvestEd Plan offers multiple investment options, including three Age-Based Portfolios, three Static Portfolios and seventeen Individual Fund Portfolios. An account owner may select an Age-Based Portfolio, a Static Portfolio, Individual Fund Portfolios, or a combination of these three options. Contributions are used by the Trust to purchase shares of the Portfolios selected by the account owner. The State of Arizona reserves the right to change investment options or managers.

### Age-Based Portfolios

The Age-Based Portfolios are based on a beneficiary's college time horizon and seek an appropriate level of investment risks for that time horizon. Organized as a "fund of funds", the Age-Based Portfolios help diversify your investment among a variety of mutual funds within the Waddell & Reed Advisors Funds family. The Age-Based Portfolios consist of: the Growth Portfolio (ages 0 through 8), the Balanced Portfolio (ages 9 through 15) and the Conservative Portfolio (ages 16 year and older). Each portfolio is a series of Waddell & Reed InvestEd Portfolios, a mutual fund registered under the Investment Company Act of 1940. Each portfolio invests in mutual funds within the Waddell & Reed Advisors family of funds in accordance with percentages set forth in the Waddell & Reed InvestEd Portfolios prospectus.

The Age-Based Portfolios are designed to invest in mutual funds with greater exposure to equity investments when the named beneficiary is between the ages of 0 through 8, a more balanced exposure to equity and fixed income investments when the named beneficiary is between the ages of 9 through 15, and a greater exposure to fixed income securities when the beneficiary reaches the age of 16 and is closer to commencing his or her postsecondary education. The balance in an InvestEd Plan account is automatically exchanged to a different Age-Based Portfolio within approximately thirty (30) days of the beneficiary's 9th and 16th birthdays.

### Static Portfolios

The Static Portfolios option offers the three actively managed Age-Based Portfolios listed above but allows you to stay in the portfolio of your chosen risk horizon, whether it be growth, balanced or conservative, without automatically transferring you to the next Age-Based Portfolio.

## Age-Based and Static Portfolios Allocation Ranges

The Board of Trustees of Waddell & Reed InvestEd Portfolios (the “Fund”) has established the following target ranges for investment of each Age-Based and Static Portfolio’s assets in specific underlying funds. The Fund’s investment manager, Waddell & Reed Investment Management Company, selects from among the available underlying funds for each portfolio within the target ranges. Please consult Waddell & Reed’s website, [www.waddell.com](http://www.waddell.com), for portfolio composition. Please refer to the “Principal Investment Strategies” section of the Fund prospectus for more detailed information, including the risks associated with each of the investment options.

### GROWTH PORTFOLIO (Ages 0 through 8)

The range of Growth Portfolio net assets invested in equity funds will be from 65% to 100%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 35% to 0%. Within the ranges, holdings of the following underlying funds may be as follows:

Underlying Fund	Minimum	Maximum
Waddell & Reed Advisors Core Investment Fund	0%	60%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	60%
Waddell & Reed Advisors Value Fund	0%	40%
Waddell & Reed Advisors Cash Management	0%	35%
Waddell & Reed Advisors International Growth Fund	0%	30%
Waddell & Reed Advisors Vanguard Fund	0%	30%
Waddell & Reed Advisors New Concepts Fund	0%	25%
Waddell & Reed Advisors Small Cap Fund	0%	20%
Waddell & Reed Advisors Bond Fund	0%	25%
Waddell & Reed Advisors Government Securities Fund	0%	25%
Waddell & Reed Advisors High Income Fund	0%	25%
Waddell & Reed Advisors Global Bond Fund	0%	25%

### BALANCED PORTFOLIO (Ages 9 through 15)

The range of Balanced Portfolio net assets invested in equity funds will be from 40% to 80%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 60% to 20%.

Underlying Fund	Minimum	Maximum
Waddell & Reed Advisors Cash Management	0%	60%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	50%
Waddell & Reed Advisors Core Investment Fund	0%	40%
Waddell & Reed Advisors Value Fund	0%	30%
Waddell & Reed Advisors Bond Fund	0%	30%
Waddell & Reed Advisors Government Securities Fund	0%	30%
Waddell & Reed Advisors International Growth Fund	0%	25%
Waddell & Reed Advisors Vanguard Fund	0%	25%
Waddell & Reed Advisors High Income Fund	0%	25%
Waddell & Reed Advisors Global Bond Fund	0%	25%
Waddell & Reed Advisors New Concepts Fund	0%	20%

### CONSERVATIVE PORTFOLIO (Ages 16 and older)

The range of Conservative Portfolio net assets invested in equity funds will be from 0% to 40%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 100% to 60%.

Underlying Fund	Minimum	Maximum
Waddell & Reed Advisors Cash Management	0%	100%
Waddell & Reed Advisors Government Securities Fund	0%	40%
Waddell & Reed Advisors Core Investment Fund	0%	40%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	40%
Waddell & Reed Advisors Value Fund	0%	30%
Waddell & Reed Advisors Global Bond Fund	0%	25%
Waddell & Reed Advisors Bond Fund	0%	10%

## Individual Fund Portfolios

The eighteen Individual Fund Portfolios invest in Class E Shares of a single mutual fund (an “Underlying Mutual Fund”), including domestic and international equity funds, specialty funds, and fixed income funds from the Ivy Funds family. Therefore, each Portfolio has the same investment objective as the Underlying Mutual Fund in which it invests. Since each of the Individual Fund Portfolios invest in a single mutual fund, the performance of each Portfolio is dependent on the Underlying Mutual Fund. As a result, the performance of an Individual Fund Portfolio may be more volatile than that of the Age-Based and Static Portfolios, which may be more broadly diversified through their investments in more than one Underlying Fund. Individual Fund Portfolios are designed for investors who want a more concentrated investment strategy for all or a portion of their accounts or who want to control the selection of the individual mutual funds in which their InvestEd Plan account invests. Investors should refer to the current prospectus of the Ivy funds for more detailed information regard the Underlying Mutual Funds, including their costs and expenses. A current prospectus has been included with the Program Overview.

The following is a list of the current Underlying Mutual Funds for the various Individual Fund Portfolios:

### Equity Funds

Ivy Capital Appreciation Fund  
Ivy Core Equity Fund  
Ivy Dividend Opportunities Fund  
Ivy Large Cap Growth Fund  
Ivy Mid Cap Growth Fund  
Ivy Small Cap Growth Fund

### Fixed Income Funds

Ivy Bond Fund  
Ivy High Income Fund  
Ivy Limited-Term Bond Fund  
Ivy Money Market Fund  
Ivy Mortgage Securities Fund

### Global/International Funds

Ivy Cundill Global Value Fund  
Ivy International Balanced Fund  
Ivy International Core Equity Fund

### Specialty Funds

Ivy Asset Strategy Fund  
Ivy Global Natural Resources Fund  
Ivy Real Estate Securities Fund  
Ivy Science and Technology Fund

For a complete description of the investment objectives and risks, please refer to the Ivy Funds prospectus.

## Changes in Investment Options and Investment Manager

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The Arizona Commission for Postsecondary Education reserves the ability to change financial institutions eligible to participate in the Arizona Family College Savings Program, through non-renewal of the financial institution’s program manager contracts or for good cause.

Federal law permits 529 plan owners to make investment strategy changes only once per calendar year or upon a change in beneficiary. A reallocation of your InvestEd Plan account among the available options will be deemed to constitute your one permitted investment strategy change during a calendar year and prevent you from making any other investment changes or transferring your investment to another 529 plan sponsored by the State of Arizona during the calendar year of your change. The Internal Revenue Service enacted a special rule under which 529 plans may permit investments in a 529 plan account to be changed twice per calendar year for calendar year 2009. As a result, InvestEd Plan account owners will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in beneficiary) during calendar year 2009 only.

## Performance

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For discussion of performance, please refer to the “Performance” section of the Waddell & Reed InvestEd Portfolios and Ivy Funds prospectuses that accompany this Program Overview.

## Proxies

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The mutual funds that serve as the investment options for your InvestEd Plan account may from time to time issue proxies requesting that their shareholders vote on various important issues. As the record owner of the shares of the mutual funds, the Arizona Commission for Postsecondary Education has the exclusive authority to vote all proxies in its sole discretion. Information regarding proxies received will be posted to the Commission’s website ([www.azhighered.gov/](http://www.azhighered.gov/)) for review and comment by account owners.

## Risk Factors

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As with any investment, there are numerous risks associated with investing in a 529 plan; some of which are outlined in this section. Certain investment risks are described in the prospectuses for Waddell & Reed InvestEd Portfolios and Ivy Funds that accompany this Program Overview. Please refer to the various “Risk” sections of the prospectuses for important risk disclosure regarding the investment risks associated with investing in the InvestEd Plan and the Investment Options. In addition to the risks disclosed in the prospectuses, and elsewhere in this Program Overview, you should consider the following before investing:

## **No Guarantee**

Accounts are not insured by the State of Arizona, the Family College Savings Program Trust Fund, the Arizona Commission for Postsecondary Education, any other governmental entity, Waddell & Reed, Inc., or any affiliated or related party, and neither the principal deposited nor the investment return is guaranteed by any of the above-referenced parties. As with any investment, you may lose money in an InvestEd Plan account. The value of your InvestEd Plan account will fluctuate and it is possible that the value of your account may be less than the amount you invested.

## **Changes to Federal Tax Laws**

The information in this Program Overview is based upon laws, regulations, rules and interpretations in effect at the time the Program Overview was prepared, which are subject to change at any time. Many of the guidelines mentioned are based on current tax laws, regulations, rules and interpretations, which are subject to change at any time. New regulations may impact the tax treatment of, eligibility for and limitations associated with 529 plans. You should consult your CPA or other tax advisor regarding the tax consequences of your contributions to and withdrawals from your InvestEd Plan account or any other 529 plan.

## **Impact Upon Financial Aid Qualification**

The eligibility of your beneficiary for financial aid will depend upon the circumstances of the beneficiary's family at the time the beneficiary enrolls in school, as well as on the policies of the governmental agencies, school, or private organizations to which the beneficiary and/or the beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the beneficiary, it most likely will have some effect on the beneficiary's eligibility. However, because these policies vary at different institutions and can change over time, it cannot be predicted with any degree of certainty how the federal aid program, or the school your beneficiary applies to, will treat your account.

According to The College Board, 529 plans generally are treated as assets of the account owner, of which currently only a small percentage is considered available to cover college costs each year. However, when you begin to take withdrawals from the InvestEd Plan for the beneficiary's qualified higher education expenses, the earnings portion of that withdrawal is counted as the beneficiary's income, thereby affecting the next year's financial aid calculation. Although the U.S. Department of Education has advised several 529 plans regarding the treatment of accounts in 529 plans for financial aid purposes, the treatment is subject to change by regulations, legislation or otherwise. Specific educational institutions may also treat 529 plan investments in a different manner. Accounts for which the beneficiary is also the account owner may be treated as an asset of the beneficiary for financial aid purposes. You should discuss your specific situation with the institutions that are being considered to determine their approach to financial aid and a 529 plan.

## **State and Local Taxes**

State and/or local taxes may apply to your investment. State and local tax laws and regulations are subject to change at any time and may negatively impact your investment.

You should consult your CPA or other tax advisor regarding the tax consequences associated with a 529 plan investment and the possible effects of changes in the tax laws.

## **No Guarantee of Attendance or Adequacy of Investment to Meet Expenses**

There is no guarantee that a beneficiary will be accepted for admission to any institution of higher education or, if admitted, will graduate or receive a degree, or otherwise be permitted to continue to attend an institution of higher education. Even if the account balance of an account has reached the maximum permitted account balance, the balance in the account may not be sufficient to cover the beneficiary's Qualified Higher Education Expenses. Future inflation in Qualified Higher Education Expenses is uncertain. Recently, Qualified Higher Education Expenses have grown more rapidly than increases in the general cost of living. Increases in Qualified Higher Education Expenses could exceed the rate of return of the Program over the same period.

## **Risks Related to Illiquidity**

Investment in the Program involves a risk of reduced liquidity. Once you open an InvestEd Plan account for a beneficiary the circumstances under which funds may be withdrawn from the account without incurring tax consequences are limited. See "Federal Tax Treatment" above for further information about these restrictions. In addition to these restrictions, no part of an account may be assigned, transferred or pledged as security for a loan or otherwise, except for transfers described above under, "Limitations and Penalties on Transfers".

## **Replacement of Investment Options or Manager**

Waddell & Reed, Inc. will not necessarily continue as Program Manager for the entire period your account is open. There is also no assurance that the terms and conditions of your Account Owner Agreement will continue without material change. There are, accordingly, various potential consequences which should be considered. These include: (1) changes in the current management fee, and (2) if Waddell & Reed, Inc. ceases to be the Program Manager, you may have to open a new account in the Program with the successor Program Manager in order to make future contributions on behalf of your beneficiary.

## **Potential Impact on Medicaid Eligibility**

Ownership of an account in the Program could have an impact on eligibility for Medicaid. Although the result is not clear and may vary from state to state, it is possible that the assets in your account may be considered available assets for determining Medicaid assistance eligibility. You should consult your own financial and tax advisors regarding your personal situation.

### **Availability of Other Education Savings Options**

In addition to the InvestEd Plan, there are many other qualified tuition programs, including programs designed to provide prepaid tuition and certain other educational expenses, as well as other education savings and investment alternatives. Many of the alternative programs are only available directly from the sponsoring state or program manager, and are not available through Waddell & Reed. These alternative programs may offer different investment vehicles, and may entail different tax and other consequences. They may have different eligibility requirements and other features, as well as fees and expenses that may be more or less than those charged in connection with an InvestEd account. You should carefully consider other investment alternatives, whether or not available through Waddell & Reed, before establishing an InvestEd Plan account.

### **Fees and Expenses**

The Trustee, in its sole discretion, may establish or change Fees as it determines to be appropriate. Such Fees currently include annual distribution fees, an annual account maintenance fee, and other fees and charges to support the purposes and administration of the Trust. In addition to the Plan fees, each investment option will indirectly bear its pro rata share of the fees and expenses of the underlying mutual funds in which it invests. The Trust purchases Class A shares of Waddell & Reed InvestEd Portfolios and Class E shares of the Ivy Funds. Fees are deducted from a portfolio's assets, charged directly to accounts or paid directly by the InvestEd Plan account holder.

**Investment fee or estimated expenses from underlying funds:** Investment fees or estimated expenses from underlying funds are the fees associated with the underlying mutual funds.

**Account maintenance fee:** An annual account maintenance fee of \$20 per account is charged by Waddell & Reed. This fee will be deducted from your account once a year in December. The account maintenance fee will be waived for all accounts that meet at least one of the following conditions: the Account Owner is a resident of Arizona; or the account balance is \$25,000 or greater at the time the account maintenance fee is deducted from the account.

**Annual distribution and service (12b-1) fee:** Each of the mutual funds that are available as an investment option has adopted a Distribution and Service Plan (Plan) pursuant to Rule 12b-1 under the Investment Company Act of 1940 (Rule 12b-1). Under the Plan, each mutual fund may pay Waddell & Reed or Ivy Funds Distributor, Inc. ("IFDI") a fee of up to 0.25%, on an annual basis, of the average daily net assets of the shares. This fee is to compensate Waddell & Reed or IFDI for, either directly or through third parties, distributing the mutual fund's shares, providing personal service to shareholders and/or maintaining shareholder accounts.

**Sales charges:** All of the investment options except InvestEd Conservative Portfolio, Limited-Term Bond Portfolio and Money Market Portfolio shares are charged a front-end sales load of 5.75% for purchases up to \$100,000. InvestEd Conservative Portfolio shares are charged a front-end sales load of 4.25% for purchases up to \$100,000. Ivy Limited-Term Bond shares are charged a front-end sales load of 2.50% for purchases up to \$300,000. Ivy Money Market does not have a front-end sales load. For Breakpoints and Rights of Accumulation see "Sales Charges" on page 18.

## Fees and Expenses

Investment Options	ANNUAL ASSET-BASED FEE			ADDITIONAL INVESTOR EXPENSE			
	Estimated Underlying Fund Expense <sup>1</sup>	Program Manager Fee	State Fee <sup>2</sup>	Annual Distribution Fee <sup>3</sup>	Total Annual Asset-Based Fees <sup>4</sup>	Maximum Sales Charge (load) <sup>5</sup>	Annual Account Fee <sup>6</sup>
<b>Age-Based and Static Portfolios</b>							
InvestEd Growth	0.89%	None	None	0.25%	1.14%	5.75%	\$20
InvestEd Balanced	0.82%	None	None	0.25%	1.07%	5.75%	\$20
InvestEd Conservative	0.69%	None	None	0.25%	0.94%	4.25%	\$20
<b>Individual Portfolios<sup>7</sup></b>							
<b>Domestic Equity</b>							
Ivy Capital Appreciation	0.90%	None	None	0.25%	1.15%	5.75%	\$20
Ivy Core Equity	1.10%	None	None	0.25%	1.35%	5.75%	\$20
Ivy Dividend Opportunities	1.12%	None	None	0.25%	1.37%	5.75%	\$20
Ivy Large Cap Growth	0.90%	None	None	0.25%	1.15%	5.75%	\$20
Ivy Mid Cap Growth	1.35%	None	None	0.25%	1.60%	5.75%	\$20
Ivy Small Cap Growth	1.56%	None	None	0.25%	1.56%	5.75%	\$20
<b>Fixed Income</b>							
Ivy Bond	0.96%	None	None	0.25%	1.21%	5.75%	\$20
Ivy High Income Fund	1.11%	None	None	0.25%	1.36%	5.75%	\$20
Ivy Limited-Term Bond	0.63%	None	None	0.25%	0.88%	2.50%	\$20
Ivy Money Market	0.88%	None	None	None	0.88%	None	\$20
Ivy Mortgage Securities	0.89%	None	None	0.25%	1.14%	5.75%	\$20
<b>Global/International</b>							
Ivy Cundill Global Value	1.34%	None	None	0.25%	1.59%	5.75%	\$20
Ivy International Balanced	1.08%	None	None	0.25%	1.33%	5.75%	\$20
Ivy International Core Equity	1.28%	None	None	0.25%	1.53%	5.75%	\$20
<b>Specialty Funds</b>							
Ivy Asset Strategy	0.75%	None	None	0.25%	1.00%	5.75%	\$20
Ivy Global Natural Resources	1.02%	None	None	0.25%	1.27%	5.75%	\$20
Ivy Real Estate Securities	1.42%	None	None	0.25%	1.67%	5.75%	\$20
Ivy Science and Technology	1.18%	None	None	0.25%	1.43%	5.75%	\$20

- For the InvestEd Growth, InvestEd Balanced and InvestEd Conservative Portfolios, the Portfolio will indirectly bear a pro rata share of the fees and expenses of each underlying fund in which it invests. This table above shows the Portfolio's indirect expense from investing in the underlying funds based on the allocation of the Portfolio's assets among the underlying funds during the Portfolio's last fiscal year. This expense may be higher or lower over time depending on the allocation of the Portfolio's assets among the underlying funds and the actual expenses of the underlying funds. The Total Annual Asset-Based Fee ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table of the Prospectus because that ratio does not include the Acquired Fund Fees and Expenses (Underlying Funds).. Fees and expenses are subject to change at any time.
- No state fee is charged to account owners. Waddell & Reed pays to the ACPE a \$10 application fee for each InvestEd Plan account that is opened to be used to offset administrative costs associated with the Trust. Waddell & Reed also pays a fee to the ACPE based upon a percentage of the average value of the assets invested in InvestEd Plan accounts opened on or after November 18, 2006, at an annual rate of 0.15% for InvestEd Plan assets invested in Waddell & Reed InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for InvestEd Plan assets invested in the Ivy Funds. The fee is subject to annual negotiations between Waddell & Reed and the Trustee. These fees are paid to the ACPE by Waddell & Reed and are not directly paid by the account owner.
- The annual distribution fee is the distribution and service (12b-1) fee assessed on the shares of Waddell & Reed InvestEd Portfolios and Ivy Funds that are included in an InvestEd account. A 12b-1 fee is not assessed on the underlying mutual funds included in the Age-Based or Static Portfolios.

- 4 Total annual asset-based fees are assessed against assets over the course of the year and does not include sales charges, annual account maintenance fee, or enrollment fees. To see the total cost associated with the investment, please see the table below. Through July 31, 2010, Ivy Funds Distributor, Inc. (IFDI) the Ivy Funds' distributor, and Waddell & Reed Services Company (WRSCO) the Ivy Funds' transfer agent, have contractually agreed to reimburse each of the individual portfolios sufficient 12b-1 and/or shareholder servicing fees to cap the expenses for Class E shares at the specified amounts. Waivers during future periods are subject to the discretion of IFDI and WRSCO.
- 5 The chart on page 18 shows the breakpoint amount for sales charges of shares.
- 6 An annual account maintenance fee of \$20 per account is automatically deducted from your account each year in December (or upon liquidation of the account prior to December). The account maintenance fee will not be prorated for accounts that are not owned for the full year in which the fee is deducted. The account maintenance fee will be waived for account owners who are residents of Arizona and/or accounts with balances of more than \$25,000 at the time the fee is collected.
- 7 For all Individual Portfolios except for the Ivy Money Market Fund, shares redeemed or exchanged within fewer than 30 days of purchase are assessed a 2.00% redemption/exchange fees.

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

The following table compares the approximate cost of investing in the InvestEd Plan Portfolios over different periods of time. The table is based on the following assumptions:

- (a) You invest \$10,000 in the Portfolio for each time period specified.
- (b) Your investment has a 5% return each year.
- (c) All shares are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on redemption).
- (d) Total annual asset-based fees remain the same as those shown on page 16.
- (e) The investor pays the applicable maximum initial sales charge (without regard to possible breakpoints) in Fee Structure A.
- (f) The \$20 Account Maintenance Fee, which is waived in certain circumstances, is included in the example of investment costs.

Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined would be:

FEE STRUCTURE <sup>1</sup>	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
InvestEd Growth	\$705	\$976	\$1,267	\$2,081
InvestEd Balanced	\$698	\$956	\$1,231	\$2,006
InvestEd Conservative	\$537	\$772	\$1,023	\$1,731
<b>Domestic Equity</b>				
Ivy Capital Appreciation	\$727	\$1,118	\$1,556	\$2,764
Ivy Core Equity	\$749	\$1,190	\$1,681	\$3,027
Ivy Dividend Opportunities	\$755	\$1,221	\$1,741	\$3,163
Ivy Large Cap Growth	\$741	\$1,200	\$1,722	\$3,147
Ivy Mid Cap Growth	\$797	\$1,406	\$2,089	\$3,905
Ivy Small Cap Growth	\$784	\$1,344	\$1,971	\$3,654
<b>Fixed Income</b>				
Ivy Bond	\$729	\$1,108	\$1,529	\$2,695
Ivy High Income Fund	\$751	\$1,200	\$1,701	\$3,073
Ivy Limited-Term Bond	\$358	\$584	\$825	\$1,507
Ivy Mortgage Securities	\$730	\$1,135	\$1,591	\$2,847
Ivy Money Market	\$110	\$341	\$588	\$1,284
<b>International</b>				
Ivy Cundill Global Value	\$783	\$1,328	\$1,935	\$3,571
Ivy International Balanced	\$758	\$1,248	\$1,801	\$3,302
Ivy International Core Equity	\$780	\$1,326	\$1,938	\$3,584
<b>Specialty</b>				
Ivy Asset Strategy	\$691	\$989	\$1,318	\$2,238
Ivy Global Natural Resources	\$762	\$1,291	\$1,892	\$3,514
Ivy Real Estate Securities	\$807	\$1,452	\$2,174	\$4,080
Ivy Science and Technology	\$772	\$1,308	\$1,910	\$3,534

<sup>1</sup>InvestEd Plan accounts with a balance less than \$25,000 will be charged an annual maintenance fee of \$20, which has been added to the expenses associated with investing \$10,000. This maintenance fee will be waived for Arizona residents.

## Sales Charges

The maximum up-front sales charge you pay will differ depending upon the amount you invest. You pay a lower charge as the size of your investment increases to certain levels, which are called breakpoints. The sales charge you pay will be deducted directly from your investment. The table shows the rate of sales charge depending on the amount you invest.

### All Portfolios except InvestEd Conservative Portfolio, Ivy Limited-Term Bond and Ivy Money Market Portfolio

Size of Purchase	Up-Front Sales Charge Percent <sup>1</sup>
Under \$100,000	5.75%
\$100,000 to less than \$200,000	4.75%
\$200,000 to less than \$300,000	3.50%
\$300,000 to less than \$500,000	2.50%
\$500,000 to less than \$1,000,000	1.50%
\$1,000,000 and over <sup>2</sup>	0.00%

### Ivy Limited-Term Bond Portfolio

Size of Purchase	Up-Front Sales Charge Percent <sup>1</sup>
Under \$300,000	2.50%
\$300,000 to less than \$1,000,000	1.50%
\$1,000,000 and over <sup>2</sup>	0.00%

### InvestEd Conservative Portfolio

Size of Purchase	Up-Front Sales Charge Percent <sup>1</sup>
Under \$100,000	4.25%
\$100,000 to less than \$300,000	3.25%
\$300,000 to less than \$500,000	2.50%
\$500,000 to less than \$1,000,000	1.50%
\$1,000,000 and over <sup>2</sup>	0.00%

<sup>1</sup>Due to the rounding of the NAV and the offering price of a fund to two decimal places, the actual sales charge percentage calculated on a particular purchase may be higher or lower than the percentage stated above.

<sup>2</sup>No sales charge is payable at the time of purchase on investments of \$1 million or more, although for such investments the Fund will impose a CDSC of 1.00% on certain redemptions made within 12 months of the purchase. The CDSC is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price.

#### Lower Sales charges are available by:

- Combining additional purchases of shares of any of the funds in Waddell & Reed Advisor Funds, Ivy Family of Funds and/or Waddell & Reed InvestEd Portfolios except Class A shares of Waddell & Reed Advisors Cash Management or Class A shares of Ivy Money Market Fund, unless acquired by exchange for Class A shares on which a sales charge was paid (or as dividend or distribution on such acquired shares), with the NAV of Class A, Class B or Class C shares already held (Rights of Accumulation).
- Grouping all purchases of shares of Waddell & Reed Advisors Funds, Ivy Family of Funds and/or shares of Waddell & Reed InvestEd Portfolios except Class A shares of Waddell & Reed Advisors Cash Management or Class A shares of Ivy Money Market Fund, made during a thirteen-month period (Letter of Intent).
- Grouping purchases by certain related persons.

Additional information regarding the investment options can be found on their distributors websites: [www.waddell.com](http://www.waddell.com) and [www.ivyfund.com](http://www.ivyfund.com).

# Appendix A- Account Owner Agreement

## Agreement for the InvestEd Plan (the “Plan”)

The Account Owner (“you”), the Arizona Commission for Postsecondary Education, as the trustee (the “Trustee”), of the Arizona Family College Savings Program Trust Fund (the “Trust”), and Waddell & Reed, Inc. (“Program Manager”) agree as follows:

### 1. Management of the Plan

The InvestEd Plan (the “Plan”) has been created within the Trust, which was established by the State of Arizona (the “State”) pursuant to Arizona law and designed to qualify for treatment as a qualified tuition program under Section 529. The Trustee administers the Trust and has appointed the Program Manager to provide management, administration, recordkeeping and transfer agency services for the Plan within the Trust. The Plan is described in the Program Overview, the InvestEd Account Application and the prospectuses for Waddell & Reed InvestEd Portfolios and the Ivy Funds (collectively, “Program Description”). Terms used in this Agreement that are not otherwise defined have the meanings defined in the Program Description.

### 2. Accounts and Beneficiaries

#### A. Opening Accounts.

You may open one or more Accounts. The purpose of each Account is to provide for the qualified higher education expenses as defined in Section 529 of the Internal Revenue Code of 1986, as amended (together with any regulation and other guidance issued thereunder, collectively referred to as the “Section 529”) of one Beneficiary.

#### B. Separate Accounts.

The Trust will maintain a separate Account for each Beneficiary. Each Account will be governed by this Agreement and Arizona law and regulations and Section 529 (collectively referred to as “Applicable Law”). All assets held in your Plan Accounts will be held for the exclusive benefit of you and your Beneficiaries.

#### C. Naming and Changing Beneficiaries.

You will name a single Beneficiary for a Account in the Account application. You can change the Beneficiary at any time without adverse tax consequences provided the new Beneficiary is a “member of the family” of the current Beneficiary, as that term is defined under Section 529. The designation of the new Beneficiary will be effective following receipt by the Program Manager of the appropriate form that has been fully completed and signed by you. You may not change the Beneficiary of an UGMA/UTMA 529 Plan account.

A change of Beneficiary will result in the assignment of a new Account number and may result in the reallocation of the Account’s assets if some or all of those assets are invested in the Age-Based Option (see Section 4) and the new Beneficiary is in an age group that differs from that of the former Beneficiary.

### 3. Investments

#### A. Investments in Cash Prohibited.

All investments must be in one or more of the following forms, subject to change by the Program Manager in its discretion: (i) check; (ii) electronic funds transfer from your bank; (iii) payroll deductions made by your employer; (iv) funds wired through the Federal Reserve system; and (v) exchanges from accounts maintained by mutual funds for which the Program Manager serves as principal underwriter. The Program Manager will not accept cash.

#### B. Minimum Initial Investment.

The initial investment in each Account will be as set forth in the Program Description.

#### C. Additional Investments.

You may make additional investments at any time, subject to the Program Description and the overall limit described in the next paragraph.

#### D. Maximum Balance Limit.

As described by Applicable Law, the Trust will set from time to time a maximum account balance value (“Maximum Balance”) which will limit the amount of contributions that may be made to accounts for any one Beneficiary. To the extent that contributions would result in an aggregate balance in all the Accounts in excess of the Maximum Balance, the excess will not be accepted and will be returned to you. The Maximum Balance is set forth in the Program Description and is subject to change at any time by the Trustee. The balance in any accounts held for a Beneficiary in any other account in the Arizona Family College Savings Program (“Arizona 529 Program”) will be aggregated with the balances in Accounts in applying the Maximum Balance.

#### E. Right to Refuse Contributions.

Contributions may be refused if the Trustee or the Program Manager believes that the contributions appear to be an abuse of the Plan.

## 4. Investment Options

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- A. You can choose from the following investment options (“Portfolios”) established by the Plan for the investment of assets in the Account: (i) an Age-Based Portfolio (either the Growth Portfolio, the Balanced Portfolio, or the Conservative Portfolio, depending upon the age of the Beneficiary of the account); (ii) a Static Portfolio; or (iii) one or more Individual Portfolios. Money may either be invested in one of the Portfolios or pursuant to an Age-Based Plan. Under the Age-Based Plan, your investment in the Trust is allocated into one of the above-referenced Portfolios (Growth, Balanced or Conservative) based upon the age of the Beneficiary and automatically shifted to progressively more conservative Portfolios as the Beneficiary ages. Money invested outside of the Age-Based Plan will remain in the Portfolio selected by the Account Owner until withdrawn or reallocated at your instruction. Your investments in the Plan are invested in the Portfolio selected by you and the assets are held by the Trust.
- B. The Trust invests the assets of each Portfolio in one or more underlying mutual funds (the “Underlying Funds”) and any other instruments as may be approved by the Trustee in the future.
- C. Except as otherwise provided below, you may reallocate the assets in the Account between the different Portfolios once per calendar year and at any time with a change in the Beneficiary of the Account. InvestEd Plan account owners will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in Beneficiary) during calendar year 2009 only.

Note: The Portfolios are not insured or guaranteed by the Federal Deposit Insurance Corporation, the State, the Trust, the Trustee, any other government agency, or the Program Manager or its affiliates.

## 5. Distributions from Accounts

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You may direct the Trustee to distribute part or all of the money in an Account at any time, subject to any fees, penalties and additional tax that may be applicable as described below and in the Program Description or as required by Applicable Law.

- A. You must fully complete and sign a 529 InvestEd Withdrawal form (CFF1912) and provide it to the Program Manager with any other information required by the Trustee or Program Manager. The Trustee may change the form from time to time.
- B. Either the Trustee or you may terminate an Account at any time upon written notice to the other party and in accordance with Applicable Law. If you or the Account’s Beneficiary have provided false or misleading information to the Trust, Program Manager or an eligible educational institution, the Trustee may

take such action as permitted by Applicable Law, including terminating the Account. Upon termination, the remaining Account balance will be distributed to you and contributions and earnings thereon may be subject to federal and any applicable state taxes, including the additional 10 percent federal tax on earnings for non-qualified withdrawals.

## 6. Your Representations and Acknowledgments

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

- A. You have received and read the document entitled Program Description and have carefully reviewed all the information contained therein, including the discussion of risks of investing in the Plan and selecting any particular Portfolio. You have been given an opportunity within a reasonable time prior to the date of this Agreement to ask questions and receive answers concerning (i) an investment in the Plan, (ii) the terms and conditions of the Trust, and (iii) this Agreement and to obtain such additional information necessary to verify the accuracy of any information furnished. You have had the opportunity to ask questions of the Program Manager and have received satisfactory answers to any questions asked.
- B. You acknowledge and agree that the Program Description’s terms are incorporated by reference into this Agreement. You have not relied on any representations or other information, oral or written, other than as set forth in the Program Description, Application and in this Agreement.
- C. **You understand that:**
  - (i) **The value of your Account will increase or decrease based on the value of the Underlying Funds in which the Portfolios (you have selected) have invested;**
  - (ii) **The value of any Account may be more or less than the amount you invested in the Account;**
  - (iii) **The value of the Account may not be adequate to fund the Beneficiary’s actual higher education expenses;**
  - (iv) **The intended tax advantages for the Account may be affected by future changes in tax laws and regulations or Plan regulations; and**
  - (v) **There is no guarantee of a rate of return or interest on your Account, and none of the Trust, the Trustee, the State or the Program Manager, its affiliates, or any other Person is liable for any loss incurred by you as a result of participating in the Plan. Neither the Account, your contributions to the Trust, nor any rate of return on the contributions is insured by the State of Arizona, the Trust, the Trustee or the Program Manager or its affiliates.**

- D.** You agree that all investment decisions for each Portfolio will be made by Program Manager (or its affiliate) or any other adviser hired by the Trust, and that you will not direct the investment of any funds invested in any Portfolio, either directly or indirectly.
- E.** You understand that: (i) your contributions are being paid to the Trust; (ii) you are purchasing interests issued by the Trust which are municipal fund securities; (iii) you have no right or legal interest in any investment by the Trust with contributions received under this Agreement; (iv) as an Account Owner, you are not a shareholder in any of the Underlying Funds and have no rights of the shareholders; and (v) the Trustee shall have the exclusive authority to vote any and all proxies issued by the Underlying Funds in its sole discretion.
- F.** You understand that so long as the Program Manager serves as a program manager to the Trust, it will invest the assets of the Portfolios primarily or exclusively in mutual funds sponsored by the Program Manager, and that any successor Program Manager may invest in any mutual funds registered with the United States Securities and Exchange Commission or other investments approved by the Trustee.
- G.** You understand that:
- (i) at any time you may select one or more Portfolios for future investments in the Trust, but
  - (ii) Except as otherwise provided below, you may transfer assets in an Account among Portfolios only
    - (a) once each calendar year, and
    - (b) upon a change of Beneficiary.
- You will be permitted to make up to two investment strategy changes (other than an investment strategy change made upon a change in Beneficiary) during calendar year 2009 only.
- H.** You also understand that any Portfolio or Underlying Fund may, at any time, be merged, terminated, reorganized or cease accepting new contributions, and any such action may result in contributions being reinvested in a Portfolio that is different from the Portfolio in which contributions originally were invested.
- I.** You acknowledge and agree that participation in the Plan does not guarantee that any Beneficiary: (i) will be accepted as a student by any institution of higher education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any institution of higher education; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You also understand that participation in the Plan does not guarantee in-state tuition rates.
- J.** You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.
- K.** You acknowledge and agree that you may not assign or transfer any interest in any Account except as allowed by Section 529 or any Arizona law or regulations. Any attempted assignment or transfer of such an interest will be void. You understand that you may select a successor Account Owner to whom the Account will be assigned in the event of your death.
- L.** You acknowledge and agree that the Trust will not loan any assets to you or any Beneficiary.
- M.** You agree and acknowledge that the Plan is established and maintained by the State pursuant to Arizona law and is intended to qualify for certain federal income tax consequences under Section 529. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that none of the State, the Trust, the Trustee, the Program Manager or any adviser or consultant retained by the Trust makes any representation that such state or federal laws will not be changed or repealed.
- N.** You understand that: (i) the state(s) where you live or pay taxes may offer a Section 529 savings plan; (ii) that Section 529 savings plan may offer you state income tax or other benefits not available through the Plan; and (iii) you may want to consult with a tax adviser regarding the state tax consequences of investing in the Plan.
- O.** You certify that all information provided by you in the Application or otherwise is, and shall be, accurate and complete, and you agree to notify the Trustee or Program Manager promptly of any changes in such information.
- P.** You agree that each contribution to the Account shall constitute a representation by you that each contribution (together with the balance then on deposit in the Account and other accounts known by you to have been established under the Trust for the same Beneficiary) will not cause the aggregate balances in such accounts at that time to be in excess of the amount reasonably believed by you to be necessary to provide for the Beneficiary's future higher education expenses and in any event will not cause such aggregate balances to exceed the maximum Balance then in effect.
- Q.** You acknowledge that if you open your Account through a financial advisor, the Program Manager may periodically provide such financial advisor with information regarding your Account.

## 7. Fees and Expenses

The Account is subject to the fees and expenses set forth in the Program Description to pay for the costs of managing and administering the Plan, the Trust and the Accounts and all other expenses deemed necessary or appropriate by the Trustee, including the following categories of fees and expenses:

- A. Sales Charges:** Sales Charges: Class A Shares of the Age-Based and Static Portfolios and Class E shares of the Individual Fund Portfolios are available in the Plan. Class A and Class E shares assess an initial sales charge at the time of investment. Sales charges are more fully described in the Program Description.
- B. Expenses From Underlying Funds:** These are the fees associated with the Underlying Funds. This fee is a pro rata share of the fees and expenses of the Underlying Funds in which the Portfolios invest and are indirectly borne by you.
- C. Indirect Portfolio Fees:** You agree and acknowledge that, in addition to the fees described above, each of the Portfolios also may have investment management fees and other expenses that you will pay indirectly, including distribution and service (12b-1) fees, accounting and administrative services fees, audit fees, custodian fees, legal fees, and other operating expenses. Indirect fees are paid from the assets of the Portfolios and are indirectly borne by you.
- D. Account Maintenance Fee:** An annual account maintenance fee of \$20 per Account is charged by the Program Manager. The account maintenance fee is automatically deducted from your Account once a year in December (or upon liquidation of the Account prior to December). The account maintenance fee will not be prorated for Accounts that are not owned for the full year in which the fee is deducted. The account maintenance fee will be waived for all Accounts that meet at least one of the following conditions: the Account Owner is a resident of Arizona; or the Account balance is \$25,000 or greater at the time the account maintenance fee is deducted from the Account. The Program Manager will be responsible for paying to the Trustee a one-time application fee of \$10 per Account at the time of the initial investment into each Account. The Program Manager will also be responsible for paying to the Trustee a monthly fee based upon a percentage of the average value of the assets invested in Plan Accounts opened through the Program Manager on or after November 18, 2006, at an annual rate of 0.15% for InvestEd Plan assets invested in Waddell & Reed InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for InvestEd Plan assets invested in the Ivy Funds. The fee is subject to annual negotiations between Waddell & Reed and the Trustee.

## 8. Payment of Fees and Expenses

The Plan may liquidate assets in your Account to pay any fees, expenses or liabilities owed to the Trustee, the Trust, the Program Manager, or certain other entities performing services related to the Plan.

## 9. Necessity of Qualification

The Trust intends to qualify for favorable federal tax treatment under Section 529. You agree and acknowledge that qualification under Section 529 is vital, and agree that the Trustee may amend this Agreement upon a determination that such an amendment is required to maintain such qualification.

## 10. Duties of the Trustee and the Program Manager

Neither the Trustee nor the Program Manager has any duty to determine or advise you of the investment, tax, or other consequences of your actions, of their actions in following your directions, or of their failing to act in the absence of your directions. You should consult your tax, legal, and/or other advisors regarding your specific situation.

## 11. Audit

The Portfolios will be audited at least annually by a certified public accountant selected by the Portfolio's Board of Directors. A copy of the annual report for the Portfolios in the Plan can be obtained by calling the Program Manager.

## 12. Reporting

The Program Manager will send you, at least quarterly, reports that show the value of the Account and activity in the Account during the previous quarter. If applicable, the Program Manager will provide tax reporting as required under Section 529 and other Applicable Law. You agree to provide all information that the Trustee or Program Manager may need to comply with any legal reporting requirements. You are responsible for filing federal tax returns and any other reports required by law.

## 13. Participant's Indemnity

You recognize that each Account will be established based upon your statements, agreements, representations and warranties set forth in this Agreement. You agree to indemnify and to hold harmless the Trust, the Trustee, the State, the Program Manager, its affiliates and any representatives of the Trust, the Trustee, the

State or Program Manager and its affiliates from and against any and all loss, damage, liability or expense, including costs of reasonable attorney's fees, to which they may be put or which they may incur by reason of, or in connection with: (i) any misstatement or misrepresentation made by you or any Beneficiary of yours; (ii) any breach by you of the acknowledgments, representations or warranties contained herein; or (iii) any failure by you to fulfill any portion of this agreement. You agree that all of your statements, representations and warranties will survive the termination of this agreement.

## **14. Amendment and Termination**

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Nothing contained in the Program Description or this agreement is an agreement or representation by the Trustee or any other person that it will continue to maintain the Trust or the Plan indefinitely. No provision of this Agreement can be amended or waived except in writing signed by an authorized representative of the Trustee. The Trustee may from time to time amend, terminate or suspend the Plan and may also amend or terminate this Agreement by giving written notice to you, so long as after the action the assets in the account are still held for the exclusive benefit of you and the Beneficiary. A termination of the Plan or this Agreement may result in a non-qualified withdrawal for which taxes and penalties may be assessed.

## **15. Effective Date; Incorporation of Application**

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This Agreement shall become effective between the Trustee, Program Manager and you upon the acceptance of your signed Application by or on behalf of the Trustee. The Application executed by you with respect to the Account is incorporated herein, and this Agreement is expressly incorporated into each such Application, so that together this Agreement and the Application shall constitute the contract between the Trustee, the Program Manager and you with respect to the Account. Your execution of the Application will also be considered execution of this Agreement.

## **16. Applicable Law**

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This Agreement is governed by the laws of Arizona without reference to its conflicts of laws.

## **17. Severability**

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In the event that any clause, provision, or portion of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion will be severed from this Agreement and the remainder shall continue in full force and effect as if such clause or portion had never been included.

## **18. Binding Nature**

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This Agreement shall be binding upon the parties and their respective heirs, successors, beneficiaries and permitted assigns. You agree that all of your representations and obligations under this Agreement shall be for the benefit of the Trustee and the Program Manager who can rely upon and enforce them.

## **19. Extraordinary Events**

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The Trustee and the Program Manager and its affiliates shall not be liable for losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes or their conditions beyond their control.

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