This Third Supplement to the Bright Start Program Disclosure Statement dated July 18, 2005 (this “Supplement”) supplements and amends the Program Disclosure Statement dated April 8, 2005 (the “Disclosure Statement”) relating to the Bright Start College Savings Program (the “Program”). Terms not otherwise defined in this Supplement shall have the meanings assigned to such terms in the Disclosure Statement.

The paragraphs under the “Portfolio Investment” and “Fund Investment Advisers” headings of the section of the Disclosure Statement captioned “MANAGEMENT AND OTHER SERVICE PROVIDERS” on page 62 of the Disclosure Statement are supplemented by the following information:

“On June 24, 2005, Citigroup Inc. (“Citigroup”) announced that it has signed a definitive agreement under which Citigroup will sell substantially all of its worldwide asset management business, including the college savings plan business and operations of the Manager, to Legg Mason, Inc. ("Legg Mason"). The closing of the transaction is subject to certain regulatory approvals, as well as other customary conditions. In addition, the transfer of the Services Agreement to Legg Mason in connection with the transaction is subject to the prior consent of the Treasurer. Subject to the satisfaction of the conditions to closing and the Treasurer’s consent to the transfer of the Services Agreement to Legg Mason, Citigroup expects the closing of the transaction and the transfer of the Services Agreement to take place later this year. In such event, the Manager as well as each Fund investment adviser or sub-adviser that is currently a Citigroup subsidiary would no longer be part of Citigroup and would become part of Legg Mason. As part of Legg Mason, the Manager would continue to invest the assets of each Portfolio in accordance with the policies, objectives and guidelines set forth in the Policy Statement and reflected in the Disclosure Statement. If the Treasurer decides not to consent to the proposed transfer of the Services Agreement, you will receive written notice of such decision and of the arrangements for the management of the Program’s assets that the Treasurer has implemented or proposes to implement in light of such decision. The Treasurer’s office has indicated that a decision by the Treasurer to consent to the transfer of the Services Agreement to Legg Mason will be based on a determination that any proposed changes in the management and administration of the Program as a result of such transfer are in the best interest of Account Owners.”
Additional Information

If you have questions or would like additional information concerning the Program, the Disclosure Statement, the Participation Agreement or this Supplement, please contact a Program representative by calling toll free at 1-877-43-BRIGHT (1-877-432-7444), contact your financial professional or visit the Program website at www.brightstartsavings.com.
SECOND SUPPLEMENT TO THE BRIGHT START® PROGRAM
DISCLOSURE STATEMENT AND PARTICIPATION AGREEMENT

DATED JUNE 14, 2005

This Second Supplement to the Bright Start Program Disclosure Statement dated June 14, 2005 (this “Supplement”) supplements and amends the Program Disclosure Statement dated April 8, 2005 (the “Disclosure Statement”) relating to the Bright Start College Savings Program (the “Program”). Terms not otherwise defined in this Supplement shall have the meanings assigned to such terms in the Disclosure Statement.

1. The paragraphs under the “Recent Developments Concerning Citigroup Asset Management” heading of the section of the Disclosure Statement captioned “MANAGEMENT AND OTHER SERVICE PROVIDERS” on page 62 of the Disclosure Statement are replaced by the following paragraphs:

“On May 31, 2005, the U.S. Securities and Exchange Commission (“SEC”) issued an order in connection with the settlement of an administrative proceeding against Smith Barney Fund Management LLC (“SBFM”) and Citigroup Global Markets Inc. (“CGMI”) relating to the appointment of an affiliated transfer agent for the Smith Barney Funds, which include certain of the Funds in which the Trust invests.

The SEC order finds that SBFM and CGMI willfully violated Section 206(1) of the Investment Advisers Act of 1940 (“Advisers Act”). Specifically, the order finds that SBFM and CGMI knowingly or recklessly failed to disclose to the boards of the Smith Barney Funds in 1999 when proposing a new transfer agent arrangement with an affiliated transfer agent that: First Data Investors Services Group (“First Data”), the Smith Barney Funds’ then-existing transfer agent, had offered to continue as transfer agent and do the same work for substantially less money than before; and that Citigroup Asset Management (“CAM”), the Citigroup business unit that includes the Smith Barney Funds’ investment manager and other investment advisory companies, had entered into a side letter with First Data under which CAM agreed to recommend the appointment of First Data as sub-transfer agent to the affiliated transfer agent in exchange, among other things, for a guarantee by First Data of specified amounts of asset management and investment banking fees to CAM and CGMI. The order also finds that SBFM and CGMI willfully violated Section 206(2) of the Advisers Act by virtue of the omissions discussed above and other misrepresentations and omissions in the materials provided to the Smith Barney Funds’ boards, including the failure to make clear that the affiliated transfer agent would earn a high profit for performing limited functions while First Data continued to perform almost all of the transfer agent functions, and the suggestion that the proposed arrangement was in the Smith Barney Funds’ best interests and that no viable alternatives
existed. SBFM and CGMI do not admit or deny any wrongdoing or liability. The settlement does not establish wrongdoing or liability for purposes of any other proceeding.

The SEC censured SBFM and CGMI and ordered them to cease and desist from violations of Sections 206(1) and 206(2) of the Advisers Act. The order requires Citigroup to pay $208.1 million, including $109 million in disgorgement of profits, $19.1 million in interest, and a civil money penalty of $80 million. Approximately $24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining $183.7 million, including the penalty, will be paid to the U.S. Treasury and then distributed pursuant to a plan to be prepared by Citigroup and submitted within 90 days of the entry of the order for approval by the SEC. The order also requires that transfer agency fees received from the Smith Barney Funds since December 1, 2004 less certain expenses be placed in escrow and provides that a portion of such fees may be subsequently distributed in accordance with the terms of the order.

The order requires SBFM to recommend a new transfer agent contract to the Smith Barney Funds’ boards within 180 days of the entry of the order; if a Citigroup affiliate submits a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expense of SBFM and CGMI to oversee a competitive bidding process. Under the order, Citigroup also must comply with an amended version of a vendor policy that Citigroup instituted in August 2004. That policy, as amended, among other things, requires that when requested by a Smith Barney Fund’s board, CAM will retain at its own expense an independent consulting expert to advise and assist the board on the selection of certain service providers affiliated with Citigroup.

At this time, there is no certainty as to how the proceeds of the settlement will be distributed, to whom such distributions will be made, the methodology by which such distributions will be allocated, and when such distributions will be made. Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the Smith Barney Funds, on the Trust’s interest in the applicable Smith Barney Funds, on an Account Owner’s interest in the Trust, or on the Manager’s ability to perform its services with respect to the Program.”

**Additional Information**

If you have questions or would like additional information concerning the Program, the Disclosure Statement, the Participation Agreement or this Supplement, please contact a Program representative by calling toll free at 1-877-43-BRIGHT (1-877-432-7444), contact your financial professional or visit the Program website at www.brightstartsavings.com.
This First Supplement to the Bright Start Program Disclosure Statement dated May 31, 2005 (this “Supplement”) supplements and amends the Program Disclosure Statement dated April 8, 2005 (the “Disclosure Statement”) and the Participation Agreement dated April 8, 2005 (the “Participation Agreement”) relating to the Bright Start College Savings Program (the “Program”). Terms not otherwise defined in this Supplement shall have the meanings assigned to such terms in the Disclosure Statement.

1. The second table under the “Balanced Option” heading of the section of the Disclosure Statement captioned “Investment Options” is amended to read as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>Salomon Brothers Investors Value</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Large Capitalization Growth</td>
<td>20%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MFS Institutional International Research Equity</td>
<td>5%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Smith Barney Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney U.S. Government Securities</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td>Money Market</td>
<td>Smith Barney Core Plus Bond</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Cash Portfolio</td>
<td>0%</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Total Fixed</td>
<td></td>
<td>50%</td>
</tr>
</tbody>
</table>

2. The “Arbitration” section of the Disclosure Statement is amended to read as follows:

“1. This Participation Agreement contains a pre-dispute arbitration clause. By signing this Participation Agreement, the parties agree as follows:

- You (on behalf of yourself and the Beneficiary) and the Manager are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.
- The ability of parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.”
• The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
• The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Participation Agreement.

By signing this Participation Agreement, you agree (on behalf of yourself and the Beneficiary) that all controversies that may arise between you or the Beneficiary and the Manager involving your Account(s), or the construction, performance or breach of this Participation Agreement, shall be determined by arbitration before any self-regulatory organization or exchange of which the Manager is a member. You may elect which of these arbitration forums shall hear the matter by sending a registered letter or telegram addressed to Citigroup Global Markets Inc./Bright Start, 77 Water Street, New York, NY 10005, Attn: Law Department. If you fail to make such election before the expiration of thirty (30) days after receipt of a written request from the Manager to make such election, the Manager shall have the right to choose the forum.

2. Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law.

3. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:
   (a) the class certification is denied;
   (b) the class is decertified; or
   (c) the person is excluded from the class by the court.

4. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Participation Agreement except to the extent stated in this Participation Agreement.”

Additional Information

If you have questions or would like additional information concerning the Program, the Disclosure Statement, the Participation Agreement or this Supplement, please contact a Program representative by calling toll free at 1-877-43-BRIGHT (1-877-432-7444), contact your financial professional or visit the Program website at www.brightstartsavings.com.
BRIGHT START COLLEGE SAVINGS PROGRAM

PROGRAM DISCLOSURE STATEMENT

AND

PARTICIPATION AGREEMENT

April 8, 2005
The Bright Start College Savings Program (the “Program”) was established under the federal and state laws in effect as of March 27, 2000, and operates under the federal and state laws in effect as of the date of this Program Disclosure Statement. It is possible that these laws may change in a manner that will adversely affect the Program as described in this Program Disclosure Statement, and that such adverse effects may be retroactive. In particular, the Internal Revenue Service has not issued final tax regulations or published rulings concerning qualified tuition programs and, when issued or published, such regulations or rulings may have a significant impact on the Program and your investment in your account (the “Account”) with the Bright Start College Savings Trust (the “Trust”).

The Program is designed to qualify as a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended (the “Code”). The State Treasurer of the State of Illinois (the “Treasurer”) may amend this Program Disclosure Statement and the Trust at any time if the Treasurer determines that such an amendment is necessary to maintain qualification under Section 529 of the Code. The Treasurer may, at any time, and from time to time, otherwise amend this Program Disclosure Statement by giving written notice to you. The Treasurer may terminate the Program and the Trust, if the Treasurer determines that the continued administration of the Program and the Trust is not economically feasible, by giving written notice of such action to you.

Interests in the Trust, which could be considered securities, have not been registered with the U.S. Securities and Exchange Commission. Such interests also have not been registered with any state securities commission where there are applicable exemptions from registration (as of the date of this Program Disclosure Statement).

You may not pledge, assign, or otherwise use as collateral or security for a loan amounts you invest in the Trust.

Your investment in the Trust will not be insured by the Federal Deposit Insurance Corporation (the “FDIC”), or any other state or federal governmental agency. Interests in the Program are not deposits or other obligations of Citigroup Inc., Citigroup Global Markets Inc., Citibank F.S.B., or any other depository institution. Except as described below, none of your Account, the principal you invest nor any investment return is insured or guaranteed by the FDIC, the State of Illinois or any of its agencies, the Treasurer, the Trust, any other state or federal governmental agency, Citigroup Inc., Citibank F.S.B., any other depository institution, Citigroup Global Markets Inc., or any affiliate of Citigroup Global Markets Inc. You could lose money (including the principal invested), or not make money, if you invest in the Trust. Certain of the investment portfolios under the Program will invest a portion of their assets in deposits that are insured by the FDIC or the National Credit Union Administration up to the statutory maximum (currently $100,000) per Account Owner, per financial institution, as more fully described in this Program Disclosure Statement.

Before you make contributions to the Program, read and understand this Program Disclosure Statement. It gives you important information about the Program and discusses the risks of investing, through the Program, in the Trust. See “RISK FACTORS AND SPECIAL CONSIDERATIONS.”
Information concerning the following topics can be found on the indicated pages of this Program Disclosure Statement:

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<th>Topic</th>
<th>Page Numbers</th>
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<td>Investment Options and Investment Managers</td>
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<td>Changes to Investment Options and Investment Managers</td>
<td>7, 10-13,15, 19-20, 35-36</td>
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<td>Investment Performance</td>
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<td>Federal and State Tax Considerations</td>
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<td>Limitations or Penalties Imposed by the Program upon Transfers between Investment Options, Transfers to Other Section 529 Plans, or Nonqualified Distributions Generally</td>
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The questions and answers set forth in Appendix A—Questions and Answers provide a summary of the key features of the Program.

The Illinois income tax deduction for contributions to the Program, as described herein, is available only to Illinois taxpayers. Section 529 programs offered by states other than the State of Illinois may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the Program. Taxpayers and residents of states other than the State of Illinois should consider such state tax treatment and other benefits, if any, before making an investment decision.

To learn more about the Program, please call a Program representative toll free at 1-877-43-BRIGHT (1-877-432-7444), visit the Program website at www.brightstartsavings.com or contact your financial professional.

The information contained in this Program Disclosure Statement is believed to be accurate as of the date hereof and is subject to change without notice. No one is authorized to provide information that is different from the information contained in this Program Disclosure Statement.
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PARTICIPATION AGREEMENT
INTRODUCTION

In May 1999, the General Assembly of the State of Illinois (the “State”) adopted Public Act 91-0607 (the “Act”), authorizing the State Treasurer of the State of Illinois (the “Treasurer”) to establish and administer a program designed to be a “qualified tuition program” under Section 529 of the Internal Revenue Code of 1986, as amended (the “Code”). The program is known as the Bright Start College Savings Program (the “Program”).

The Program provides an opportunity for investors residing in Illinois or residing anywhere else in the United States of America to invest on a tax-favored basis toward the “qualified higher education expenses” of a designated beneficiary (the “Beneficiary”) associated with attending an Eligible Educational Institution. As used in this Program Disclosure Statement, “Eligible Educational Institutions” refer to institutions of higher education eligible to participate in certain Department of Education student aid programs under the Higher Education Act (as in effect on August 5, 1997). They include most community colleges, public and private 4-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools.

“Qualified higher education expenses” include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Educational Institution plus, subject to certain limitations, room and board expenses for a student attending such an institution on at least a half time basis.

Under the Program, Program participants (the “Account Owners”) may establish accounts for the purpose of meeting the qualified higher education expenses of the Beneficiaries designated on their Program accounts (the “Accounts”). Amounts contributed to the Program will be invested in the Bright Start College Savings Trust (the “Trust”). The Treasurer has initially selected Citigroup Global Markets Inc. (the “Manager”) to advise the Treasurer on the investment of Trust assets, to administer the Trust assets and to provide other services relating to the Program. As such, the Manager will be acting as agent of the Treasurer, as trustee of the Trust. The Treasurer retains ultimate authority to manage the investments of the Trust.

The Treasurer has established the Trust to hold the assets of the Program, including funds contributed to Accounts established by Account Owners, as beneficiaries of the Trust. The Treasurer has established the Trust by a Declaration of Trust dated as of March 1, 2000, as from time to time supplemented and amended, under which the Treasurer is appointed as trustee of the Trust. The assets in the Accounts will be allocated to investment portfolios (the “Portfolios”) and invested by the Manager. Each Portfolio is a segregated asset account of the Trust. The Treasurer acts as trustee to the Trust, and the Manager holds the assets held in the Trust in a segregated custody account and provides various administrative services on behalf of the Treasurer, as trustee of the Trust.

There are two overall long-term investment goals of the Program and the Portfolios within the Program. The first goal is to seek to provide a long-term competitive rate on return of investments that is equal to or exceeds the
applicable benchmarks set forth in the Investment Policy Statement of the Treasurer (the “Policy Statement”). The second goal of the Program is to seek to provide an investment program flexible enough to meet the varying needs of Account Owners based on the investment objective of the Account Owner or the age of the designated Beneficiary and to provide each individual Account Owner with the ability to invest in a diversified portfolio of investments to seek to meet his or her long-term investment goals. There can be no assurance that the Program and the Portfolios will achieve any of these goals.

Under the Act, if the financial institution where an Account Owner opens an Account is a financial institution authorized to do business in the State of Illinois and insured by the Federal Deposit Insurance Corporation (the “FDIC”)(i.e., a bank, a savings bank or a savings and loan association) or a credit union which is authorized to do business in the State and approved by the Treasurer, to the extent that such financial institution is permitted by applicable law, and such a financial institution elects in its selling agreement with the Manager to accept deposits under the Program (the “Deposits”), then the Act requires that a designated portion of the assets of the Trust must be deposited with such financial institutions accepting Deposits. See “DEPOSITS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—Deposits.” This statutory requirement will affect the investment options available to an Account Owner for Accounts opened through such a financial institution. See “INVESTMENT OPTIONS.” If an Account Owner opens an Account through a financial institution which is not accepting Deposits under the Act, different investment options will be available to an Account Owner. You should verify with the financial institution at which you are opening your Account whether or not such financial institution is accepting Deposits under the Act and what your investment options are as a result of such acceptance or non-acceptance.

OPENING AN ACCOUNT AND PARTICIPATION UNDER THE PROGRAM

General. The Program is open to both residents and non-residents of the State of Illinois. Regardless of your state of residency, you can participate in and receive benefits (other than Illinois state tax benefits) from the Program. The financial institution through which you open your Account may charge a new Account processing fee of up to $30, which maximum fee will be adjusted annually by the Treasurer in accordance with the Act and applicable regulations. Some financial institutions may choose not to charge such a fee. See “FEES AND EXPENSES.” The Illinois income tax deduction for contributions to the Program, as described herein, is available only to Illinois taxpayers. Section 529 programs offered by states other than the State may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the Program. Taxpayers and residents of states other than the State should consider such state tax treatment and other benefits, if any, before making an investment decision.

Account Application. To participate, an Account Owner opens an Account established and maintained as part of the Trust. The Manager will open the Account when it receives a completed and signed Bright Start College Savings Program Account Application. The Account Application incorporates the Participation Agreement between the Account Owner and the Treasurer.
Account Owners. Those eligible to open Accounts and act as Account Owners under the program include:

- parents, grandparents and other relatives of the Beneficiary;
- friends of the Beneficiary;
- local governments, not-for-profit organizations, corporations, trusts and partnerships; and
- the Beneficiary.

Only one person or entity can be identified as the Account Owner of an Account. An individual may establish an Account and designate himself or herself as the Beneficiary. There is no limit on the age of the Account Owner to participate in, or benefit from, the Program. If the Account Owner is a minor, his or her parent or legal guardian will need to consent to the minor’s participation in the Program by signing the Account Application. An Account Owner can open multiple Accounts for the same Beneficiary as long as the total of the balances in all Accounts in other Illinois Section 529 Programs for the Beneficiary (including Accounts for different Account Owners) does not exceed the Balance Limit. See “CONTRIBUTIONS AND BALANCE LIMIT.”

As Account Owner, you may change the Beneficiary of your Account (see “CHANGING THE BENEFICIARY OF YOUR ACCOUNT”), transfer assets to another Account or to another Section 529 Program (see “TAX MATTERS—Transfers between Accounts of Different Designated Beneficiaries or Different 529 Programs”) or withdraw assets from the Account (see “WITHDRAWALS”), in each case subject to any applicable additional tax or regular taxes. For example, you can do any of the foregoing if money remains in your Account after the Beneficiary has completed his or her education.

You can keep your Account open until the Beneficiary goes to school, whenever that may be. If the Beneficiary delays going to school or decides not to go to school and you choose not to keep the Account open for the Beneficiary, you have several options. First, you may request a Non-Qualified Withdrawal (as defined in the section entitled “WITHDRAWALS”), but the portion of the withdrawal that represents earnings on the investment will be subject to an additional 10% federal tax, as well as any applicable state and federal income taxes at your ordinary income tax rates. Second, you may transfer Account assets to another Account or to another Section 529 Program for the same Beneficiary or another Beneficiary, which transfer also may be subject to any applicable additional tax or regular taxes. For a description of the tax consequences of transfers to another Account or to another Section 529 Program for the same Beneficiary or another Beneficiary, see “TAX MATTERS—Transfers between Accounts of Different Designated Beneficiaries or Different 529 Programs”.

You may transfer your Account to another Account Owner without changing the Beneficiary of your Account. Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of
ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, gift and estate tax consequences of a transfer of ownership before effecting such a transfer. To effect a transfer of ownership, please contact the Manager.

**Successor Account Owners.** If on the death of the Account Owner the Account Owner has not designated a successor Account Owner, the Beneficiary designated for the Account will automatically become the Account Owner. The Beneficiary of the Account also will become the Account Owner if a designated successor Account Owner is deceased at the time of the Account Owner’s death or validly disclaims his/her interest in the Account.

**Beneficiaries.** When establishing an Account, the Account Owner generally must select a designated Beneficiary. Accounts established by governmental entities and not-for-profit 501(c)(3) organizations to fund scholarship programs need not have a designated Beneficiary. Only one person can be designated as the Beneficiary of each Account, and joint Beneficiaries on a single Account are not permitted. There is no limit on the age of the Beneficiary to participate in, or benefit from, the Program. Only the Account Owner can change the person designated as the Beneficiary of an Account.

**Account Balances.** To find out the amount of your Account balance, call the Manager toll-free at 1-877-43-BRIGHT (1-877-432-7444) or call your financial professional. You can also do so online through the Program website, [www.brightstartsavings.com](http://www.brightstartsavings.com), or Smith Barney Access (for Smith Barney clients). The Manager will send to you an Account statement quarterly with a description of your Account activity and the value of your Account.

### INVESTMENT OPTIONS

#### General Information

The Program offers several investment options. If you open your Account through a financial institution that has chosen to accept Deposits under the Program, you have two investment options:

- Age-Based Option
- Fixed Income Option

If you open your Account through a financial institution that has chosen not to accept Deposits, you have five different investment options:

- Age-Based Option
- Fixed Income Option
- Equity Option
- Balanced Option
- Principal Protection Income Option

The Age-Based Option for Accounts opened through financial institutions accepting Deposits and the Age-Based Option for Accounts opened through
financial institutions not accepting Deposits are distinct and different investment options as a result of differing non-equity investment components. The Fixed Income Option for Accounts opened through financial institutions accepting Deposits and the Fixed Income Option for Accounts opened through financial institutions not accepting Deposits are also distinct and different investment options as a result of differing investment components. For each Account you open, you will choose the investment option that you determine is right for you. The financial institution at which you open your Account and its acceptance or rejection of Deposits under the Act will affect your choice of investment options. Your choice of investment options may be based on some or all of the following factors (among others): the age of the Beneficiary; the length of time before the money will be used (i.e. the expected year of enrollment); and your tolerance for investment risk. Under federal tax law, however, you are not permitted to direct the actual investment of your Account assets other than selecting from among the investment options described above. Consequently, you may not choose the particular investments in which a Portfolio invests nor may you generally move your investment from one investment option to another for the same Account once you make your initial election or any other permitted election, except as hereinafter described. Pending the promulgation of final regulations, guidance from the Internal Revenue Service permits you to change your investment option for your Account for any reason once in any calendar year and also upon any change in the Beneficiary of your Account; provided, that you will be limited in selecting investment options depending upon whether or not the financial institution through which you opened your Account accepts Deposits. The once per calendar year limitation on changing investment options applies on an aggregate basis to all Accounts under the Program and all accounts under other Illinois Section 529 Plans, including College Illinois! (which is offered by the Illinois Student Assistance Commission), having the same Account Owner and the same Beneficiary. Thus, you will not be permitted to change the investment option for your Account (assuming you do not change the Beneficiary on the Account) if, within the same calendar year, you have already changed the investment option for another Account you maintain under the Program for the same Beneficiary or for another account you maintain for the same Beneficiary under another Illinois Section 529 Plan. In addition, any transfer between an Account in the Program and an account you maintain for the same Beneficiary under another Illinois Section 529 Plan is considered a change of investment option for purposes of the investment change limitation. You may, however, change the investment option on more than one Account (and/or accounts under other Illinois Section 529 Plans) for the same Beneficiary without violating the investment change limitation if all such changes are made at the same time. All such simultaneous changes are treated as a single change of investment option for purposes of the limitation. If you wish to choose a different investment option for additional investments you may make to the Program, you may, of course, open a new Account.

The Manager will invest the assets of each Portfolio in certain mutual funds managed by affiliates of the Manager, in certain Deposits (in the case of an Account opened through a financial institution accepting Deposits under the Act) or in other investments as directed by the Treasurer in accordance with the Policy Statement, which sets forth the policies, objectives and guidelines that
govern the investment of such assets. Such Policy Statement may be obtained from the Treasurer upon request. The Treasurer may amend or supplement the Policy Statement from time to time in accordance with the College Savings Pool Services Agreement between the Treasurer and the Manager (the “Services Agreement”). In allocating Portfolio assets among the Funds, the Deposits or other investments, the Manager may not deviate from the Policy Statement. A portion of each Portfolio may be invested in repurchase agreements, shares of the Smith Barney Cash Portfolio, Deposits or other money market funds or accounts to provide flexibility in meeting redemptions, expenses and the timing of new investments.

The Manager will allocate your Account assets to a particular Portfolio based on the investment option you specify in the application that you complete to open your Account (the “Account Application”).

You must verify that the investment option indicated in written materials furnished by the Manager upon your enrollment in the Program and, in the case of the Age-Based Option, that the age of the Beneficiary, corresponds to the investment option you have selected. You have 30 days after receiving your first quarterly statement concerning your Account to notify the Manager if you believe that your assets have been invested in the wrong Portfolio. After such 30 days, your Account assets will remain invested pursuant to the investment option you have chosen until you withdraw all such assets or subsequently change your investment option.

While the Program is designed to help an individual meet the costs of higher education, investing in the Trust is not appropriate for every investor. Furthermore, even if you invest in the Trust, a particular investment option may not be appropriate for you. If you do not believe that the Program or any of the investment options will meet your needs, you should consider other investment alternatives.

A summary of each of the investment options and the related Portfolios available under the Program follows. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet the Portfolios’ investment goals.

**The Age-Based Option**

The goal of a Portfolio under the Age-Based Option (an “Age-Based Portfolio”) is to seek an asset allocation strategy consistent with the ages of the Beneficiaries of those Account Owners who have invested in that Portfolio. There is an Age-Based Option for Accounts opened through financial institutions accepting Deposits and an Age-Based Option for Accounts opened through financial institutions not accepting Deposits, which are distinct and different investment options.

There are six Age-Based Portfolios for Accounts opened through financial institutions accepting Deposits and six Age-Based Portfolios for Accounts opened through financial institutions not accepting Deposits. The Manager will
invest the assets of each Age-Based Portfolio in accordance with the Policy Statement. The guidelines under the Policy Statement, including the target asset allocations, may be changed by the Treasurer from time to time upon notice to the Account Owners as provided in the Act. The investments selected by the Treasurer, upon the recommendation of the Manager, to meet the Age-Based Portfolios’ objectives, as of the date hereof, are the Funds described below, representing a combination of underlying investments in United States equity investments, non-United States equity investments, fixed income securities and short-term investments and, as required by the Act, Deposits in certain financial institutions as discussed in more detail below. The Manager, or a successor manager, may, at the direction of the Treasurer invest Portfolio assets in investments that are different than the Funds or the Deposits, to the extent permitted by the Act, in the future.

The allocation of Portfolio assets in the Age-Based Option reflects the assumed time horizons of the Beneficiary population of the Portfolio (i.e., based on the current age of the Beneficiary). There is no guarantee that the investment strategies of the Age-Based Portfolios will be successful, that assumptions made about the time horizons of a particular Beneficiary population of the Portfolio will prove accurate, or that you will have sufficient assets in your Account to meet the qualified higher education expenses of the Beneficiary in the future. The Manager relies on your representation as to the age of the designated Beneficiary of your Account to allocate your assets to a particular Portfolio at the outset. Your execution of the Participation Agreement will confirm your truthful representation of the age of the Beneficiary of your Account. To the extent this representation is inaccurate, you bear the risk that the Portfolio to which your assets have been allocated will not meet your investment needs.

Your assets generally do not remain in the Age-Based Portfolio in which they are initially invested. Account assets are redeemed when the Beneficiary attains an age that is greater than the upper limit of the age range that corresponds to a particular Portfolio, including the Portfolio in which assets were invested initially. The Manager then reinvests these assets in the Portfolio that corresponds to the age of the Beneficiary. This continues until the Beneficiary is 18 years old, or the assets are withdrawn from your Account, whichever occurs first. These reinvestments occur on the first day of the month in which the Beneficiary has a birthday on which the Beneficiary attains an age that is greater than the upper limit of the age range that corresponds to a particular Portfolio. When the Beneficiary reaches age 18, Account assets are invested in Portfolio Six (as described below), and remain invested in that Portfolio as long as the Account remains open.

The asset allocation strategy for the Age-Based Option becomes increasingly conservative with each successive Portfolio. Portfolio Six in the Age-Based Option is intended to be a conservative Portfolio, and is primarily invested in fixed income and short-term investments, such as money market instruments. You may not wish to be invested for a lengthy period in Portfolio Six in the Age-Based Option because that Portfolio invests in securities that are considered less volatile than, but generally do not achieve as high a return as, more aggressive investments, depending upon market conditions.
There is no guarantee that the investment strategies of the Age-Based Portfolios available under the Age-Based Option will be successful, or that you will have sufficient assets in your Account to meet qualified higher education expenses of the Beneficiary in the future.

The following tables summarize the asset type target allocation of each of the Portfolios available under the Age-Based Option for Accounts opened through financial institutions accepting Deposits and the Age-Based Option for Accounts opened through financial institutions not accepting Deposits.

### Age-Based Option
#### Financial Institution Accepting Deposits

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Age of Beneficiary</th>
<th>U.S. Equity</th>
<th>Non-U.S. Equity</th>
<th>Fixed Income</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>0-6</td>
<td>70%</td>
<td>20%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Two</td>
<td>7-9</td>
<td>60%</td>
<td>10%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Three</td>
<td>10-11</td>
<td>50%</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Four</td>
<td>12-14</td>
<td>45%</td>
<td>5%</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Five</td>
<td>15-17</td>
<td>30%</td>
<td>0%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Six</td>
<td>18 and up</td>
<td>10%</td>
<td>0%</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

### Age-Based Option
#### Financial Institution Not Accepting Deposits

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Age of Beneficiary</th>
<th>U.S. Equity</th>
<th>Non-U.S. Equity</th>
<th>Fixed Income</th>
<th>Money Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>0-6</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Two</td>
<td>7-9</td>
<td>60%</td>
<td>10%</td>
<td>30%</td>
<td>0%</td>
</tr>
<tr>
<td>Three</td>
<td>10-11</td>
<td>50%</td>
<td>10%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Four</td>
<td>12-14</td>
<td>45%</td>
<td>5%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>Five</td>
<td>15-17</td>
<td>30%</td>
<td>0%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>Six</td>
<td>18 and up</td>
<td>10%</td>
<td>0%</td>
<td>60%</td>
<td>30%</td>
</tr>
</tbody>
</table>
The following tables show the expected allocation of the assets of each Portfolio in the Age-Based Option for investment in the particular Funds and Deposits as indicated. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet the investment goals of each respective Age-Based Portfolio, although the Policy Statement does not permit deviation from the required level of Deposits under the Act.

**AGE-BASED OPTION**

**FINANCIAL INSTITUTION ACCEPTING DEPOSITS**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Portfolio One</th>
<th>Portfolio Two</th>
<th>Portfolio Three</th>
<th>Portfolio Four</th>
<th>Portfolio Five</th>
<th>Portfolio Six</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>Salomon Brothers Investors Value</td>
<td>25%</td>
<td>25%</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Large Capitalization Growth</td>
<td>25%</td>
<td>25%</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Oppenheimer Main Street Small Cap®</td>
<td>20%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MFS Institutional International Research Equity</td>
<td>20%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Smith Barney Investment Grade Bond</td>
<td>0%</td>
<td>10%</td>
<td>20%</td>
<td>0%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney U.S. Government Securities</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smith Barney Core Plus Bond</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Deposits</td>
<td>Short-Term Deposit Pool</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Medium-Term Deposit Pool</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
<td>50%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Longer-Term Deposit Pool</td>
<td>10%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>90%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Total Fixed</td>
<td></td>
<td>10%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td>70%</td>
<td>90%</td>
</tr>
</tbody>
</table>
Asset Class | Fund | Portfolio One | Portfolio Two | Portfolio Three | Portfolio Four | Portfolio Five | Portfolio Six
---|---|---|---|---|---|---|---
U.S. Equity | Salomon Brothers Investors Value | 25% | 25% | 20% | 20% | 15% | 5%
null | Smith Barney Large Capitalization Growth | 25% | 25% | 20% | 20% | 15% | 5%
null | Oppenheimer Main Street Small Cap® | 20% | 10% | 10% | 5% | 0% | 0%
Non-U.S. Equity | MFS Institutional International Research Equity | 20% | 10% | 10% | 5% | 0% | 0%
Fixed Income | Smith Barney Investment Grade Bond | 10% | 15% | 20% | 15% | 10% | 0%
null | Smith Barney U.S. Government Securities | 0% | 15% | 20% | 20% | 20% | 0%
null | Smith Barney Short-Term Investment Grade Bond | 0% | 0% | 0% | 15% | 20% | 60%
null | Smith Barney Core Plus Bond | 0% | 0% | 0% | 0% | 0% | 0%
Money Market | Smith Barney Cash Portfolio | 0% | 0% | 0% | 0% | 20% | 30%
Total Equity | 90% | 70% | 60% | 50% | 30% | 10%
Total Fixed | 10% | 30% | 40% | 50% | 70% | 90%

While the assets of the Age-Based Portfolios are invested, as of the date hereof, in the Funds and Deposits (as indicated above), this is subject to change, although no change can be made to the required level of Deposits under the Act. You will be notified of any significant changes in the type of investments to which Age-Based Portfolio assets are allocated. For a brief description of each Fund, see “DESCRIPTION OF THE FUNDS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.” For a brief description of the Deposits, see “DEPOSITS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—Deposits.”

Fixed Income Option

The goal of a Portfolio under the Fixed Income Option (a “Fixed Income Portfolio”) is to seek the relatively more stable returns of a fixed income investment in exchange for giving up the long-term return potential that the stock market offers. There is a Fixed Income Option for Accounts opened through financial institutions accepting Deposits and a Fixed Income Option for Accounts opened through financial institutions not accepting Deposits, which are distinct and different investment options, as a result of differing investment components.
The Manager will invest the assets of each of the two Fixed Income Option Portfolios in accordance with the Policy Statement. The guidelines under the Policy Statement, including the target asset allocations, may be changed from time to time. The investments selected by the Treasurer, upon the recommendation of the Manager, to meet the Fixed Income Portfolios’ objectives, as of the date hereof, are the Funds described below, representing a combination of fixed income mutual funds investing primarily in investment grade fixed income securities, short-term investment grade fixed income investments and managed government fixed income securities, and, as required by the Act or the Policy Statement, Deposits in certain financial institutions, as discussed in more detail below. Although the Act requires Deposits in certain percentages based on the ages of the Beneficiaries (ranging from 10% of the assets in an Account to 50% of the assets in an Account), the Fixed Income Portfolio for an Account opened through a financial institution accepting Deposits will have 50% of its assets invested in Deposits. The Manager, or a successor manager, at the direction of the Treasurer, may invest Fixed Income Portfolio assets in investments that are different than the Funds or the Deposits, to the extent permitted by the Act or the Policy Statement, in the future.

There is no guarantee that the investment strategies of the Fixed Income Portfolios will be successful, or that you will have sufficient assets in your Account to meet the qualified higher education expenses of the Beneficiary in the future.

The following tables summarize the asset type target allocations of the Fixed Income Portfolios available under the Fixed Income Option for Accounts opened through financial institutions accepting Deposits and the Fixed Income Option for Accounts opened through financial institutions not accepting Deposits.

### Fixed Income Option

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>U.S. Equity</th>
<th>Non-U.S. Equity</th>
<th>Fixed Income</th>
<th>Deposits</th>
<th>Money Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepting Deposits</td>
<td>0%</td>
<td>0%</td>
<td>50%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>Not Accepting Deposits</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The following table shows the expected allocation of the assets of each of the two Fixed Income Portfolios for investment in the particular Funds and Deposits as indicated. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet the investment goals of each respective Fixed Income Portfolio, although the Policy Statement does not permit deviation from the required level of Deposits under the Act.
### Fixed Income Option

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Financial Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Accepting Deposits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Accepting Deposits</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>Salomon Brothers Investors Value</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Large Capitalization Growth</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Oppenheimer Main Street Small Cap®</td>
<td>0%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MFS Institutional International Research</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Smith Barney Investment Grade Bond</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney U.S. Government Securities</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Core Plus Bond</td>
<td>0% 100%</td>
</tr>
<tr>
<td>Money Market Deposits</td>
<td>Smith Barney Cash Portfolio</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Short-Term Deposit Pool</td>
<td>35%  N/A</td>
</tr>
<tr>
<td></td>
<td>Medium-Term Deposit Pool</td>
<td>15%  N/A</td>
</tr>
<tr>
<td></td>
<td>Longer-Term Deposit Pool</td>
<td>0%  N/A</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>0% 0%</td>
</tr>
<tr>
<td>Total Fixed</td>
<td></td>
<td>100% 100%</td>
</tr>
</tbody>
</table>

While the assets of the Fixed Income Portfolios are invested, as of the date hereof, in the Funds and Deposits (as indicated above), this is subject to change, although no change can be made to the required level of Deposits under the Act. You will be notified of any significant changes in the type of investments to which Fixed Income Portfolio assets are allocated. For a brief description of each Fund, see “DESCRIPTION OF THE FUNDS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.” For a brief description of the Deposits, see “DEPOSITS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—Deposits.”

### Equity Option

The goal of the Portfolio under the Equity Option (the “Equity Option Portfolio”) is to seek long-term capital appreciation through investments in equity mutual funds. **The Equity Option is only appropriate for investors with longer time horizons, who are comfortable with an increased level of risk while seeking higher longer-term returns, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments.** If you open your Account through a financial institution not accepting Deposits, you may select to invest in the Equity Option. If you open your Account through a financial institution accepting Deposits, you may not select the Equity Option because the Portfolio invests entirely in equities, and does not invest in Deposits.
The Manager will invest the assets of the Equity Option Portfolio in accordance with the Policy Statement. The guidelines under the Policy Statement, including the target asset allocations, may be changed from time to time by the Treasurer. The investments selected by the Treasurer, upon the recommendation of the Manager, to meet the Equity Option Portfolio’s objectives, as of the date hereof, are the Funds described below, representing a combination of mutual funds investing primarily in United States equity and non-United States equity investments. The Manager, or a successor manager, may, at the direction of the Treasurer, invest Equity Option Portfolio assets in investments that are different than the Funds in the future.

There is no guarantee that the investment strategies of the Equity Option Portfolio will be successful, or that you will have sufficient assets in your Account to meet the qualified higher education expenses of the Beneficiary in the future.

The following table summarizes the asset type target allocation of the Equity Option.

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>U.S. Equity</th>
<th>Non-U.S. Equity</th>
<th>Fixed Income</th>
<th>Money Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Equity</td>
<td>90%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The following table shows the target allocation of the assets of the Equity Option Portfolio for investment in the particular Funds as indicated. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet the investment goals of the Equity Option Portfolio.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>Salomon Brothers Investors Value</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Large Capitalization Growth</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Oppenheimer Main Street Small Cap®</td>
<td>10%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MFS Institutional International Research Equity</td>
<td>10%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Smith Barney Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney U.S. Government Securities</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Core Plus Bond</td>
<td>0%</td>
</tr>
<tr>
<td>Money Market</td>
<td>Smith Barney Cash Portfolio</td>
<td>0%</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Total Fixed</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

While the assets of the Equity Option Portfolio are invested, as of the date hereof in the Funds (as shown above), this is subject to change. You will be notified of any significant changes in the type of investments to which Equity Option Portfolio assets are allocated. For a brief description of each Fund, see “DESCRIPTION OF THE FUNDS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.”
Balanced Option

The goal of the Portfolio under the Balanced Option (the “Balanced Option Portfolio”) is to seek attractive total return with reasonable safety of principal through investment in equity and fixed income securities. If you open your Account through a financial institution not accepting Deposits, you may select to invest in the Balanced Option. If you open your Account through a financial institution accepting Deposits, you may not select the Balanced Option because the Portfolio invests entirely in Funds, and does not invest in Deposits.

The Manager will invest the assets of the Balanced Option Portfolio in accordance with the Policy Statement. The guidelines under the Policy Statement, including the target asset allocations, may be changed from time to time by the Treasurer. The investments selected by the Treasurer, upon the recommendation of the Manager, to meet the Balanced Option Portfolio’s objectives, as of the date hereof, are the Funds described below, representing a combination of mutual funds investing primarily in United States equity and non-United States equity investments and in fixed income investments. In the future, the Manager, or a successor manager, may at the direction of the Treasurer, invest Balanced Option Portfolio assets in investments that are different than the Funds.

There is no guarantee that the investment strategies of the Balanced Option Portfolio will be successful, or that you will have sufficient assets in your Account to meet the qualified higher education expenses of the Beneficiary in the future.

The following table summarizes the asset type target allocation of the Balanced Option.

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>U.S. Equity</th>
<th>Non-U.S. Equity</th>
<th>Fixed Income</th>
<th>Money Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>45%</td>
<td>5%</td>
<td>50%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The following table shows the expected allocation of the assets of the Balanced Option Portfolio for investment in the particular Funds as indicated. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet the investment goals of the Balanced Option Portfolio.
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>Salomon Brothers Investors Value</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Large Capitalization Growth</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Oppenheimer Main Street Small Cap Fund®</td>
<td>5%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MFS Institutional International Research</td>
<td>5%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smith Barney Investment Grade Bond</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Managed Governments</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Smith Barney Short Term Investment Grade</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Bond</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smith Barney Core Plus Bond</td>
<td>50%</td>
</tr>
<tr>
<td>Money Market</td>
<td>Smith Barney Cash Portfolio</td>
<td>0%</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Total Fixed</td>
<td></td>
<td>50%</td>
</tr>
</tbody>
</table>

While the assets of the Balanced Option Portfolio are invested, as of the date hereof, in the Funds (as shown above), this is subject to change. You will be notified of any significant changes in the type of investments to which Balanced Option Portfolio assets are allocated. For a brief description of each Fund, see “DESCRIPTION OF THE FUNDS” and “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.”

**Principal Protection Income Option**

The goal of the Portfolio under the Principal Protection Income Option (the “Principal Protection Income Option Portfolio”) is to seek higher current returns than most money market portfolios, while protecting an investor’s principal investment from fluctuations in value typically associated with fixed income portfolios. The Principal Protection Income Option may be appropriate for investors who are seeking current returns with stability of principal and who are willing to forego the return potential that the stock market offers. The Principal Protection Income Option may also be appropriate as a part of an overall college savings strategy that includes more aggressive investments. If you open your Account through a financial institution that has chosen not to accept Deposits, in addition to the Age-Based Option, the Fixed Income Option and the Equity Option, you may also select the Principal Protection Income Option as hereinafter described as an investment option for your Account. If you open your Account through a financial institution that has chosen to accept Deposits, you may not select the Principal Protection Income Option as an investment option for your Account because the Portfolio does not invest in Deposits.

The Principal Protection Income Option Portfolio is a separately managed portfolio of assets held directly by the Trust. The Principal Protection Income Option Portfolio will be managed by Salomon Brothers Asset Management Inc, an affiliate of the Manager of the Program, which will manage the assets of the Principal Protection Income Option Portfolio primarily in a diversified portfolio of investment grade readily marketable U.S. government securities, foreign government securities, corporate fixed-income securities, mortgage-related securities and asset-backed securities of domestic and foreign issuers. The
Principal Protection Income Option Portfolio may invest in interest only or principal only securities, long and short positions in exchange-traded futures, exchange-traded options (i.e. puts and calls) on futures, and the writing of covered calls on exchange-traded futures, for the express purpose of managing portfolio interest rate risk. Securities will not be purchased by the Principal Protection Income Option Portfolio on a when-issued basis or for forward delivery beyond a maximum of 90 days, provided that the Principal Protection Income Option Portfolio may invest in the two most current successive calendar futures contracts. The investment manager of the Principal Protection Income Option Portfolio seeks to maintain the Portfolio’s average market value-weighted quality rating of Portfolio securities at or above AA- or Aa3, as determined by Standard and Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. (“S&P”) or Moody’s Investor Services, Inc. (“Moody’s”), respectively, and to maintain the Portfolio’s average market value-weighted duration of portfolio securities at 3.5 years or less. The Principal Protection Income Option Portfolio typically invests a portion of its assets in investment grade money market securities or in shares of money market mutual funds, including the Smith Barney Money Funds Cash Portfolio, to assist the Portfolio in satisfying withdrawals, transfers and other disbursements from the Portfolio.

The Principal Protection Income Option Portfolio attempts to reduce significantly under normal circumstances fluctuations in the value of its assets, other than money market securities and money market fund securities, by entering into one or more contracts, known as “Wrapper Agreements,” each with a financial institution, such as an insurance company or a bank (a “Wrapper Provider”) whose long-term credit rating at the time the Wrapper Agreement is entered into is in the highest two categories as determined by S&P and Moody’s. A Wrapper Agreement enables the Principal Protection Income Option Portfolio, regardless of market fluctuations, to value the assets of the Portfolio covered by the Wrapper Agreement (the “Covered Assets”) at their book value. Book value generally means all contributions allocated to the Principal Protection Income Option Portfolio that are invested in Covered Assets, plus all income accrued at the “Crediting Rate” described below, as in effect from time to time, less the sum of withdrawals from the Covered Assets. Should the amount received from liquidating all of the Covered Assets ever be insufficient to satisfy requested withdrawals from the Portfolio that are covered by the Wrapper Agreements, under normal circumstances the Wrapper Provider would be obligated to pay the amount of the shortfall to the Principal Protection Income Option Portfolio. It is expected that the Principal Protection Income Option Portfolio will value the Wrapper Agreements at the difference between the book value and the market value of the Covered Assets. See “Principal Risks of Investing in the Principal Protection Income Option” below for additional information that could affect the value of the Wrapper Agreements. If the market value of the Covered Assets exceeded their book value, the difference would not be reflected in the Principal Protection Income Option Portfolio’s valuation of the Covered Assets. Transamerica Life Insurance Company will serve as the initial Wrapper Provider.
The “Crediting Rate” is designed to result in the accrual of income over time equal to the cumulative market return on the Covered Assets, but without the fluctuations in value typically associated with fixed-income securities. The formula for setting the Crediting Rate is provided for in each Wrapper Agreement, and is designed, with reference to current interest rates on high quality intermediate-term debt obligations, to generate a rate of income on the book value of the Covered Assets that equates the book value of the Covered Assets to their market value over a period approximating the duration of the Covered Assets. The Crediting Rate is reset quarterly. The Crediting Rate will reflect movements in market interest rates, but will generally lag market interest rate changes. At any time, the Crediting Rate may be more or less than both current market interest rates and the actual return on the Covered Assets. The Crediting Rate will in no event be less than zero.

The Principal Protection Income Option Portfolio’s total return is generally the sum of its income on the Covered Assets calculated at the Crediting Rate applicable from time to time and the actual income earned on the Principal Protection Income Option Portfolio’s money market securities and money market fund securities. The Principal Protection Income Option may be adversely affected if it holds assets, other than money market securities and money market fund securities, that do not benefit from the protection typically afforded by a Wrapper Agreement, as described above.

The initial Wrapper Agreement contains, and other Wrapper Agreements subsequently entered into may contain, limitations which the Program may have to impose on Account Owners selecting a different investment option which utilizes investments that compete with the Principal Protection Income Option. Currently, no such competing investments exist, which would limit an Account Owner in selecting another investment option for its Accounts. However, no assurances can be given that another investment option may not in the future contain such competing investments, in which case the Program may limit the ability of an Account Owner to select such other investment option for its Account which is invested in the Principal Protection Income Option. For a discussion of the risks associated with an investment in the Principal Protection Income Option Portfolio, see “RISK FACTORS AND SPECIAL CONSIDERATIONS—General Program.”

Considerations in Selecting an Investment Option. Persons who are considering opening an Account should consider the overall structure of the Program, the differing investment goals and investment strategies of the Portfolios under each investment option, and the risks associated with the Portfolios under each investment option. Account Owners should determine which investment option is most appropriate for them, given the other resources expected to be available to fund the Beneficiary’s qualified higher education expenses, the age of the Beneficiary, the target date for withdrawing funds from the Program to pay the qualified higher education expenses of the Beneficiary, the risks associated with each investment option, the lack of investment control following the selection of an investment option and the ability of the Account Owner and the Beneficiary to bear the investment risks associated with a particular Portfolio.
**Performance Standards.** The performance of each Fund within an asset class will be compared to particular benchmarks, as follows:

### PROGRAM ESTABLISHED BENCHMARKS FOR FUNDS

<table>
<thead>
<tr>
<th>Fund</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salomon Brothers Investors Value</td>
<td>Russell 1000 Value Index</td>
</tr>
<tr>
<td>Smith Barney Large Capitalization Growth</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>Oppenheimer Main Street Small Cap®</td>
<td>Russell 2000 Stock Index</td>
</tr>
<tr>
<td>MFS Institutional International Research Equity</td>
<td>MSCI EAFE</td>
</tr>
<tr>
<td>Smith Barney Investment Grade Bond</td>
<td>Citigroup Corporate 10+ Year Index</td>
</tr>
<tr>
<td>Smith Barney U.S. Government Securities</td>
<td>Merrill Lynch Mortgages, GNMA Master Index</td>
</tr>
<tr>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>Citigroup Treasury Government Sponsored/Corporate 1-5 Year Index</td>
</tr>
<tr>
<td>Smith Barney Core Plus Bond</td>
<td>Lehman Aggregate Bond Index</td>
</tr>
<tr>
<td>Smith Barney Money Funds Cash Portfolio</td>
<td>Merrill Lynch 3-Month U.S. Treasury Bill Index</td>
</tr>
</tbody>
</table>

In addition, each Portfolio, other than the Principal Protection Income Option Portfolio, will seek to equal or exceed the return of a blend of the benchmark returns for its underlying Funds based on its target allocations to such Funds. The Principal Protection Income Option Portfolio will seek to equal or exceed the return of the Ryan 3-Year GIC Index. There can be no assurance that a Portfolio or Fund will achieve its goal or outperform its benchmark. The benchmarks set forth above with respect to the Program may differ from the benchmark established for any applicable Fund. A Portfolio’s benchmark may change over time to reflect changes in the Portfolio’s underlying Funds and target allocations to such Funds.

**Asset Allocation.** As indicated in the tables under each of the investment options described above, the Manager will allocate Portfolio assets to a particular asset class by investing them in an appropriate investment that is consistent with that asset category. As of the date hereof, the Manager currently invests Portfolio assets in one or more of the Funds listed above and, if applicable, Deposits, that have investment objectives consistent with each particular asset category. The Manager will satisfy target asset allocation guidelines if it invests in the appropriate Funds listed above, even if those funds are not entirely invested in the asset class in which they have been categorized.

**DESCRIPTION OF THE FUNDS**

The following information concerning the Funds has been provided by the Manager for inclusion herein and has not been independently verified by the
Treasurer. The information is not guaranteed as to accuracy or completeness by the Treasurer, and is not to be construed as a representation by the Treasurer.

The discussion set forth below relates to the Funds currently available under the Program. Other mutual funds managed by affiliates of the Manager, or other mutual funds or investments, may be added or substituted for existing Funds in the future.

As of the date of this Program Disclosure Statement, at the direction of the Treasurer and in accordance with the Policy Statement, the Manager intends to invest the Portfolios in whole or in part in the Funds, which are registered mutual funds managed by affiliates of the Manager, with certain exceptions described below. The assets of each Portfolio will be invested according to the target asset allocations discussed under “INVESTMENT OPTIONS.”

Each of the Funds is an open-end management investment company, or a series of such a company.

- Smith Barney Fund Management LLC (“SBFM”), an affiliate of the Manager, serves as investment advisor to the Smith Barney Large Capitalization Growth Fund, Investment Grade Bond Fund, U.S. Government Securities Fund, Short-Term Investment Grade Bond Fund, Core Plus Bond Fund and the Cash Portfolio.

- Salomon Brothers Asset Management Inc, an affiliate of the Manager, serves as investment advisor to the Salomon Brothers Investors Value Fund.

- Citigroup Asset Management Limited (“CAM Limited”), an affiliate of the Manager, serves as investment sub-adviser to the Smith Barney Core Plus Bond Fund and manages the Fund’s assets invested in non-U.S. dollar denominated debt securities of non-U.S. issuers and engages in currency transactions for the Fund.

- Massachusetts Financial Services Company, which is not affiliated with the Manager, serves as investment advisor to the MFS Institutional International Research Equity Fund.

- OppenheimerFunds, Inc., which is not affiliated with the Manager, serves as investment advisor to the Oppenheimer Main Street Small Cap Fund.

As noted in “Fees and Expenses,” the 0.99% annual service fee payable to the Manager out of the assets of the Trust includes the fees and expenses charged by the Funds in which the Portfolios invest, including Funds managed by entities affiliated with the Manager and Funds managed by entities unaffiliated with the Manager. In the case of Trust assets invested in a Fund managed by an entity unaffiliated with the Manager, the Manager may receive and retain annual fees with respect to such assets from the adviser or distributor of such Fund in an amount up to 0.35% of such invested assets. Such fee arrangements are designed to help offset the Manager’s expenses associated with maintaining an investment in such Fund on behalf of the Trust and may be a factor considered by the Manager in recommending Funds and the share class of such Funds in
which to invest the assets of the Portfolios, but such arrangements have no impact on the fees that are charged against the assets of the Trust. Such fee arrangements may present the Manager with a conflict of interest in recommending Funds and the percentage of a Portfolio’s assets that will be invested in each Fund. Notwithstanding the foregoing, the Manager’s ability to recommend investment of Portfolio assets in such Funds is restricted by the Services Agreement (See “Investment Options” above). Moreover, the Manager is subject to, and intends to comply with, standards of fiduciary duty when investing Portfolio assets.

The following describes the investment objective and practices of each of the Funds. There can be no assurance that the investment objective of any Fund will be met. In the future, assets of any Portfolio may be invested in other funds managed by SBFM or an affiliate of the Manager, other mutual funds or other investments, including without limitation the Deposits, in addition to or in substitution for the Funds discussed below.

**Equity Funds**

**Salomon Brothers Investors Value Fund** seeks long-term growth of capital. Current income is a secondary objective. The fund invests primarily in common stocks of established U.S. companies. The fund may also invest in other equity securities. To a lesser degree, the fund may invest in debt securities. The manager focuses on established large capitalization companies (over $5 billion in market capitalization), seeking to identify those companies with favorable valuations and attractive growth potential. The manager employs fundamental analysis to analyze each company in detail, ranking its management, strategy and competitive market position.

Specifically, in selecting individual companies for investment, among other factors the manager looks for company specific items such as (a) competitive market position; (b) competitive products and services; (c) strong financial condition; and (d) experienced and effective management.

**Smith Barney Large Capitalization Growth Fund** seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in equity securities, or other investments with similar economic characteristics, of companies with large market capitalizations. Large capitalization companies are those with total market capitalizations of $5 billion or more at the time of investment. Equity securities include U.S. exchange traded and over-the-counter common stocks, debt securities convertible into equity securities, and warrants and rights relating to equity securities. The fund may invest up to 10% of its net assets in securities of foreign issuers directly or in the form of depositary receipts representing an interest in those securities.

**Oppenheimer Main Street Small Cap Fund®** seeks capital appreciation. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in securities of companies having a small market capitalization. The fund currently considers an issuer having a market capitalization of up to $3 billion to be a small-cap issuer. The fund measures that capitalization at the time the fund buys the security, and it is not required to
sell the security if the issuer’s capitalization grows above $3 billion. Over time, the fund may change the range of asset capitalizations it uses to define small-cap issuers, as market conditions change. The fund incorporates a blended style of investing combining both growth and value styles. In selecting securities for purchase or sale by the fund, the fund’s portfolio managers use an investment process that combines quantitative models, fundamental research about particular securities and individual judgment.

MFS Institutional International Research Equity Fund seeks capital appreciation. Under normal market conditions, the fund invests at least 80% of the value of its net assets in equity securities of foreign corporations, including common stocks and related securities such as preferred stocks, convertible securities and depositary receipts for those securities. The fund focuses on foreign companies (including emerging market issuers) that the manager of the fund believes have favorable growth prospects and attractive valuations based on current and expected earnings or cash flow. The fund does not emphasize any particular country, but may from time to time focus its investments in individual countries or regions. The fund’s investments may include securities traded on securities exchanges or in the over-the-counter markets. Because the fund may invest a substantial amount of its assets in issuers located in a limited number of countries, such fund is more susceptible to adverse economic, political or regulatory developments affecting those countries than a fund that invests more broadly.

Fixed Income Funds

Smith Barney Investment Grade Bond Fund seeks as high a level of current income as is consistent with prudent investment management and preservation of capital. Under normal circumstances, the fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in “investment grade” fixed income securities. These are securities rated by a national ratings organization within one of the top four categories or, if unrated, are judged by the manager to be of comparable quality. The fund may also invest in U.S. government securities and U.S. dollar-denominated fixed income securities of foreign issuers. The fund may invest in securities having any maturity. The fund may, but need not, use interest rate futures and options on interest rate futures, to hedge against interest rate changes, as a substitute for buying or selling securities, and as a cash flow management technique.

Smith Barney U.S. Government Securities Fund seeks high current income, liquidity and security of principal. Under normal circumstances, the fund will invest at least 80% of its net assets, plus any borrowings for investment purposes, in debt securities issued or guaranteed by the U.S. government, its agencies or instrumentalities and in related investments. The U.S. government securities in which the fund invests consist primarily of mortgage-related securities and U.S. Treasury securities. Mortgage-related securities issued by federal agencies or instrumentalities may be backed by the full faith and credit
of the U.S. Treasury, by the right of the issuer to borrow from the U.S. Government or only by the credit of the issuer itself. The fund may, but need not, use interest rate futures and options on interest rate futures, to hedge against interest rate changes, as a substitute for buying or selling securities, and as a cash flow management technique. The fund may invest up to $33\frac{1}{3}\%$ of its assets in mortgage dollar roll transactions, where the fund sells a mortgage-related security and simultaneously agrees to repurchase, at a future date, another mortgage-related security with the same interest rate and maturity date, but generally backed by a different pool of mortgages. The Fund may engage in active and frequent trading, resulting in high portfolio turnover and increased transaction costs.

**Smith Barney Short-Term Investment Grade Bond Fund** seeks current income, preservation of capital and liquidity. Under normal circumstances, the fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in “investment grade” fixed income securities. These are securities rated by a national ratings organization at the time of purchase within one of the top four categories or, if unrated, are judged by the manager to be of comparable credit quality. Securities rated in the fourth category of investment grade (BBB or Baa) are deemed to have speculative characteristics. Securities in which the fund invests include corporate debt securities, bank obligations, mortgage and asset-backed securities and securities issued by the U.S. government and its agencies and instrumentalities. The fund may also invest in U.S. dollar-denominated fixed income securities of foreign issuers. The fund maintains an average dollar-weighted portfolio maturity of between one and four years; the duration of the fund’s portfolio will normally be no greater than 3.5 years. The fund may, but need not, use interest rate futures and options on interest rate futures, to hedge against interest rate changes, as a substitute for buying or selling securities, and as a cash flow management technique.

**Smith Barney Core Plus Bond Fund Inc.** seeks maximum total return consisting of capital appreciation and income, consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in investment grade fixed income securities of U.S. issuers or other investments with similar economic characteristics. The manager has broad discretion to allocate the fund’s assets among the following segments of the fixed income securities market, with no specified minimum investment in any segment:

- U.S. government obligations
- Investment grade U.S. corporate debt
- Mortgage-backed securities

The fund may invest up to 20% of its net assets in high yield, high risk corporate and government debt securities rated below investment grade or, if unrated, determined by the fund’s manager to be of comparable quality, and in U.S. dollar denominated and non-U.S. dollar denominated debt issued by foreign
corporations and foreign governments, their agencies or instrumentalities, of which no more than 10% of the fund’s assets may be invested in fixed income securities of emerging market issuers. The manager allocates and reallocates the fund’s assets from time to time among the types of fixed income securities described above based on its analysis of economic and market conditions and the relative returns and risks represented by each type. The Fund will normally maintain an average effective duration of three years to six years. Duration is an approximate measure of the sensitivity of the market value of the fund’s portfolio to changes in interest rates. The Fund was known as Smith Barney Managed Governments Fund prior to March 18, 2005. The name change reflected a broadening of the fund’s scope of principal investments.

Smith Barney Money Funds Cash Portfolio is a money market mutual fund that seeks maximum current income and preservation of capital. The fund invests in high quality, U.S. dollar denominated short-term debt securities. These may include obligations issued by U.S. and foreign banks, the U.S. Government, its agencies or instrumentalities, U.S. states and municipalities and U.S. and foreign corporate issuers. The Fund may invest in all types of money market instruments, including commercial paper, certificates of deposit, bankers’ acceptances, mortgage-backed and asset-backed securities, repurchase agreements and other short-term debt securities. The fund will invest at least 25% of its total assets in obligations of domestic and foreign banks. Shares of the fund are not insured or guaranteed by the U.S. government.

The fund has adopted certain investment policies to assure that, to the extent reasonably possible, the fund’s price per share will not change from $1.00, although no assurance can be given that this goal will be achieved on a continuous basis. In order to minimize fluctuations in market price, the fund will invest exclusively in securities with remaining maturities of 397 days or less and maintain a dollar-weighted average portfolio maturity of 90 days or less (securities used as collateral for repurchase agreements are not subject to these restrictions).

The fund’s investments are limited to U.S. dollar-denominated instruments that have received the highest rating from the “Requisite NRSROs,” securities of issuers that have received such rating with respect to other short-term debt securities and comparable unrated securities. “Requisite NRSROs” means (a) any two nationally recognized statistical ratings organizations (“NRSROs”) that have issued a rating with respect to as security or class of debt obligations of an issuer, or (b) one NRSRO, if only one NRSRO, has issued such a rating at the time that the fund acquires the security. The NRSROs currently designated as such by the Securities and Exchange Commission are the Standard & Poor’s Ratings Services Inc., a Division of The McGraw-Hill Companies, Moody’s Investors Service, Inc. and Fitch Inc.

Other Investment Practices of the Funds. In addition to their principal investments, certain Funds may invest in foreign securities; enter into forward currency transactions; lend portfolio securities; enter into stock index, interest rate, and currency futures contracts, and options on such contracts; engage in options transactions; make short sales; purchase zero coupons and payment-in-kind bonds; purchase restricted and illiquid securities; enter into forward roll
transactions; purchase securities on a when-issued or delayed delivery basis; enter into repurchase or reverse repurchase agreements; borrow money; and engage in various other investment practices. A Fund’s investment in such securities will, however, be substantially consistent with the Policy Statement.

**Temporary Defensive Investments.** Each of the Funds (except the Smith Barney Money Funds Cash Portfolio) may depart from its principal investment strategies in response to adverse market, economic or political conditions by taking temporary defensive positions in cash, money market and similar instruments. If a Fund takes a temporary defensive position, it may be unable to achieve its investment objective.

**Additional Information About the Funds.** This Program Disclosure Statement discusses the principal investment strategies of the Funds and the risks associated with those strategies. Additional information regarding the investment practices of the Funds and the related risks is located in the prospectus and statement of additional information ("SAI") of each of the Funds. For more information about the Funds, including copies of their prospectuses, SAIs and annual reports, as well as performance information, call toll-free 1-877-43-BRIGHT (1-877-432-7444), or contact your financial professional. No offer is made in this Program Disclosure Statement of any of the Funds.

**PERFORMANCE OF PORTFOLIOS**

The performance data relating to Portfolios under the investment options set forth below is net of all fees and expenses. For historical performance information for the Funds, please see “Performance of the Funds.” Past performance is not, and should not be viewed as, indicative of future performance.

The total returns for the reporting periods shown reflect the performance of Portfolio investments, which have changed over time. If the Portfolios had been invested in the Funds in which they are currently invested during the entirety of the reporting periods, the Portfolios’ total returns would have been different. Please see “INVESTMENT OPTIONS—Performance Standards” for a description of the benchmarks applicable to the Funds and Portfolios. Benchmark returns are based on the performance of benchmarks in effect as of December 31, 2004. When a Portfolio’s benchmark changes, the benchmark’s new composition is utilized to calculate benchmark performance for periods from and after such change. Benchmark performance for periods prior to the change is not recalculated or restated based on the benchmark’s new composition.

During the start-up phase of the Portfolios, the timing of cash flows may have had a significant impact on investment performance relative to benchmarks. This impact is due to the initial small size of assets under management relative to the size of cash flows, as well as the timing of the investment of such cash flows, especially during volatile market periods.
The following chart shows the average annual total returns (unaudited) for the Bright Start Portfolios for the periods shown ended December 31, 2004.

### AGE-BASED OPTION
#### FINANCIAL INSTITUTIONS ACCEPTING DEPOSITS

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Inception Date</th>
<th>One Year</th>
<th>Three Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>6/26/00</td>
<td>10.16%</td>
<td>6.11%</td>
<td>0.42%</td>
</tr>
<tr>
<td>Two</td>
<td>9/12/00</td>
<td>7.28%</td>
<td>5.06%</td>
<td>1.39%</td>
</tr>
<tr>
<td>Three</td>
<td>12/13/00</td>
<td>7.83%</td>
<td>6.33%</td>
<td>4.26%</td>
</tr>
<tr>
<td>Four</td>
<td>8/1/00</td>
<td>4.19%</td>
<td>5.65%</td>
<td>3.09%</td>
</tr>
<tr>
<td>Five</td>
<td>7/31/00</td>
<td>2.76%</td>
<td>3.24%</td>
<td>2.54%</td>
</tr>
<tr>
<td>Six</td>
<td>3/2/01</td>
<td>1.31%</td>
<td>1.86%</td>
<td>2.03%</td>
</tr>
</tbody>
</table>

### AGE-BASED OPTION
#### FINANCIAL INSTITUTIONS NOT ACCEPTING DEPOSITS

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Inception Date</th>
<th>One Year</th>
<th>Blended Benchmark One Year</th>
<th>Three Year</th>
<th>Blended Benchmark Three Year</th>
<th>Since Inception</th>
<th>Blended Benchmark Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>4/4/00</td>
<td>10.82%</td>
<td>14.39%</td>
<td>6.72%</td>
<td>8.06%</td>
<td>0.08%</td>
<td>1.14%</td>
</tr>
<tr>
<td>Two</td>
<td>4/4/00</td>
<td>8.07%</td>
<td>11.68%</td>
<td>5.96%</td>
<td>7.19%</td>
<td>1.99%</td>
<td>2.02%</td>
</tr>
<tr>
<td>Three</td>
<td>4/12/00</td>
<td>7.94%</td>
<td>11.26%</td>
<td>6.32%</td>
<td>7.62%</td>
<td>3.10%</td>
<td>3.70%</td>
</tr>
<tr>
<td>Four</td>
<td>4/4/00</td>
<td>5.91%</td>
<td>9.09%</td>
<td>5.36%</td>
<td>6.56%</td>
<td>3.27%</td>
<td>3.47%</td>
</tr>
<tr>
<td>Five</td>
<td>4/18/00</td>
<td>3.38%</td>
<td>5.88%</td>
<td>3.82%</td>
<td>4.85%</td>
<td>3.84%</td>
<td>4.02%</td>
</tr>
<tr>
<td>Six</td>
<td>4/20/00</td>
<td>1.37%</td>
<td>2.64%</td>
<td>2.49%</td>
<td>3.61%</td>
<td>3.60%</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

### FIXED INCOME OPTION

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Inception Date</th>
<th>One Year</th>
<th>Blended Benchmark One Year</th>
<th>Three Year</th>
<th>Blended Benchmark Three Year</th>
<th>Since Inception</th>
<th>Blended Benchmark Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepting Deposits</td>
<td>8/14/01</td>
<td>2.43%</td>
<td>N/A</td>
<td>3.85%</td>
<td>N/A</td>
<td>3.92%</td>
<td>N/A</td>
</tr>
<tr>
<td>Not Accepting Deposits</td>
<td>4/6/00</td>
<td>3.23%</td>
<td>4.55%</td>
<td>4.62%</td>
<td>6.15%</td>
<td>5.85%</td>
<td>7.25%</td>
</tr>
</tbody>
</table>

### EQUITY OPTION

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Inception Date</th>
<th>One Year</th>
<th>Blended Benchmark One Year</th>
<th>Three Year</th>
<th>Blended Benchmark Three Year</th>
<th>Since Inception</th>
<th>Blended Benchmark Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Accepting Deposits</td>
<td>4/5/00</td>
<td>7.93%</td>
<td>12.96%</td>
<td>4.68%</td>
<td>5.75%</td>
<td>0.44%</td>
<td>-1.18%</td>
</tr>
</tbody>
</table>
### Balanced Option

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Inception Date</th>
<th>Blended Benchmark One Year</th>
<th>Blended Benchmark Three Year</th>
<th>Since Inception</th>
<th>Blended Benchmark Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Accepting Deposits</td>
<td>11/24/04</td>
<td>NA</td>
<td>N/A</td>
<td>1.20%</td>
<td>2.22%</td>
</tr>
</tbody>
</table>

### Principal Protection Income Option

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Inception Date</th>
<th>Blended Benchmark One Year</th>
<th>Blended Benchmark Three Year</th>
<th>Since Inception</th>
<th>Blended Benchmark Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Accepting Deposits</td>
<td>7/19/02</td>
<td>2.59%</td>
<td>3.45%</td>
<td>2.72%</td>
<td>4.32%</td>
</tr>
</tbody>
</table>
Performance of the Funds

The following chart shows the average annual total returns (unaudited) for the longest outstanding class for each Fund (other than the Smith Barney Money Funds Cash Portfolio) for the most recent one-, five- and ten-year periods (or since inception of the Fund’s operations if shorter) for the period ended December 31, 2004. The Manager is the sole source of the information set forth in the chart relating to the Salomon Brothers Investors Value Fund and the Smith Barney Funds. The Fund performance data for the Oppenheimer Main Street Small Cap Fund® and the MFS Institutional International Research Equity Fund (and the Related Fund) was supplied by those Funds or their investment advisers and has not been independently verified. The Treasurer does not guarantee the accuracy of the performance information concerning such Funds.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net Assets ($000's) 12/31/04</th>
<th>Inception Date</th>
<th>1 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salomon Brothers Investors Value</td>
<td>$1,910,580</td>
<td>5/28/58</td>
<td>10.83%</td>
<td>4.85%</td>
<td>13.83%</td>
</tr>
<tr>
<td>Smith Barney Large Cap Growth</td>
<td>$5,168,819</td>
<td>8/29/97</td>
<td>0.23%</td>
<td>–2.73%</td>
<td>8.94%*</td>
</tr>
<tr>
<td>Oppenheimer Main Street Small Cap Fund®</td>
<td>$2,595,700</td>
<td>8/2/99</td>
<td>19.76%</td>
<td>13.30%</td>
<td>17.59%*</td>
</tr>
<tr>
<td>MFS Institutional International Research Equity</td>
<td>$ 115,400</td>
<td>7/15/02</td>
<td>20.41%</td>
<td>20.12%*</td>
<td>NA</td>
</tr>
<tr>
<td>Smith Barney Investment Grade Bond</td>
<td>$1,000,155</td>
<td>1/4/82</td>
<td>5.94%</td>
<td>8.44%</td>
<td>8.55%</td>
</tr>
<tr>
<td>Smith Barney U.S. Government Securities Fund</td>
<td>$ 407,161</td>
<td>10/9/84</td>
<td>3.58%</td>
<td>6.15%</td>
<td>6.60%</td>
</tr>
<tr>
<td>Smith Barney Short-Term Investment Grade Bond</td>
<td>$ 370,897</td>
<td>11/11/91</td>
<td>1.45%</td>
<td>5.04%</td>
<td>5.38%</td>
</tr>
<tr>
<td>Smith Barney Core Plus Bond**</td>
<td>$ 356,044</td>
<td>9/4/84</td>
<td>3.19%</td>
<td>5.80%</td>
<td>6.04%</td>
</tr>
</tbody>
</table>

* Since inception

** The performance information shown for the Smith Barney Core Plus Bond Fund is for periods prior to March 18, 2005 when the fund operated under the name “Smith Barney Managed Governments Fund” and pursued an investment objective of high current income consistent with liquidity and safety of capital by investing primarily in U.S. government securities.
For the seven-day period ended December 31, 2004, the yield for the Smith Barney Money Funds Cash Portfolio was 1.71% and the effective yield was 1.72%.

The performance data relating to the Funds set forth above is not, and should not be viewed as, indicative of the future performance of either the Funds or the Portfolios. The performance is net of all Fund fees and expenses, but does not reflect the impact of sales charges since they will not apply with respect to the purchase of shares of the Funds by the Portfolios.

**DEPOSITS**

Under the Act, a financial institution through which Accounts are opened may accept Deposits under the Program. Such a financial institution must either be insured by the FDIC (i.e., a bank, a savings bank or a savings and loan association) or be a credit union approved by the Treasurer, to the extent that such a financial institution is permitted by applicable law to accept Deposits. If such a financial institution chooses to accept Deposits, it is entitled to receive Deposits under the Act in an amount equal to a designated percentage of each Account opened by such financial institution as required by the Act. Under the Act, the designated percentages of each Account at such a financial institution which must be deposited are based upon the age of the Beneficiary of the Account, and are as follows:

<table>
<thead>
<tr>
<th>Age of Beneficiary</th>
<th>Percentage of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 7</td>
<td>10%</td>
</tr>
<tr>
<td>7 to 11</td>
<td>20%</td>
</tr>
<tr>
<td>12 and up</td>
<td>50%</td>
</tr>
</tbody>
</table>

The Deposits will be investments under the Program in the Age-Based Portfolios and the Fixed Income Portfolio for accounts opened through financial institutions accepting deposits. The asset allocation among Deposits in short-term Deposits, medium-term Deposits and longer-term Deposits, as hereinafter described, for each of these two investment options is set forth under the caption, “INVESTMENT OPTIONS.”

Under the Program, the Treasurer will adjust the Deposits at each financial institution on at least an annual basis to reflect the appropriate statutory level of the Deposits based upon the age of the related Beneficiaries and the size of the Accounts opened at such financial institution. The Manager will categorize each financial institution for adjustment on either April 1 or October 1 of each year. Under the Program, the Deposits made at a given financial institution will not reflect an investment at such financial institution of moneys on deposit in the Accounts at such financial institution. Rather, the Deposit at each such financial institution will represent the aggregate amount of the fractionalized amount of
each Account under the Program if such Account is opened at a financial institution accepting Deposits. For example, if 100 financial institutions accept Deposits under the Program, the statutorily required percentage of an Account at a financial institution accepting Deposits will be invested in Deposits at all 100 such financial institutions. The amount of each such Deposit at a financial institution will be proportional to the amount of investment in Accounts which such financial institution has opened under the Act.

A financial institution which initially elects to accept Deposits under the Program may elect in the future not to accept Deposits with respect to new Accounts opened after the date of such election. In such an event, the financial institution may continue to receive Deposits under the Program at the statutorily required levels for each Account which such financial institution had opened at the time it was accepting Deposits until the Account Owners have withdrawn all moneys from such Accounts. Alternatively, in such event, the financial institution may assign its rights to receive Deposits to another financial institution, or may choose not to receive Deposits with respect to such Accounts at all, in which event the Treasurer may designate the financial institution(s) which may receive such Deposits. A financial institution which initially elects not to receive Deposits may elect in the future to accept Deposits. In such event, the financial institution will receive Deposits only with respect to Accounts opened after the election to receive Deposits.

Under the Act, each Deposit must be federally insured or fully collateralized. Federal insurance is provided to banks, savings banks and savings and loan associations through the FDIC and to credit unions through the National Credit Union Administration. Federal insurance extends to deposits maintained by a depositor in the same capacity at the same depository institution up to a statutory maximum of $100,000 under current law, although the maximum amount of such federal insurance is subject to change. Since a Deposit at any given financial institution represents a fractionalized interest of an appropriate percentage of each Account opened at a financial institution accepting Deposits under the Program, it is unlikely that such fractionalized interest in the Deposits maintained with respect to the Accounts of an Account Owner at any one financial institution will exceed the statutory maximum (currently $100,000 for such Account Owner). However, the Manager will monitor such Deposit levels for each Account Owner at each financial institution accepting Deposits under the Program. In the event that the maximum level of federal insurance is reached for any Account Owner at any financial institution, the Manager will notify such financial institution which, under the Act and the Program, will be required to fully collateralize the portion of a Deposit allocable to such Account Owner that exceeds the statutory maximum insurance level.

Under the Program, any portion of a Deposit which must be fully collateralized will be collateralized by United States government obligations valued weekly equal to 105% of the amount required to be collateralized, and the securities constituting such collateral must be held at a third party institution. The Treasurer will, from time to time, designate third party institutions which may hold such collateral.
The Manager will manage the investment of the Deposits at the financial institutions accepting Deposits based upon the investment guidelines set forth in the Policy Statement. The Manager intends to create three pools of Deposits under the Program: a longer-term pool; a medium-term pool; and a short-term pool. The longer-term pool of Deposits will seek to provide a return competitive with certificates of deposit having an average maturity of six to ten years. The medium-term pool of Deposits will seek to provide a return competitive with certificates of deposit having an average maturity of four to six years. The short-term pool of Deposits will seek to provide current income. In managing the assets of the longer-term and medium-term pools, the Manager may take into account the ages of the Beneficiaries underlying the Accounts invested in such pools and the projected dates on which such Accounts will be transferred from one Portfolio to another Portfolio, such that there will be a transfer of assets from the longer-term pool to the medium-term pool or from the medium-term pool to the short-term pool. The Manager may transfer Deposits from one pool of Deposits to another pool of Deposits to effectuate such transfers. Any such transfer of Deposits shall be effectuated at the then current value of the Deposits as determined by the Manager. No brokerage commissions will be charged for such transfers.

Each pool will maintain liquidity reserves to provide for withdrawals and the readjustment of Deposits among financial institutions, which may hinder the attainment of other investment objectives. Such liquidity reserves will be invested in money market accounts and other similar accounts at financial institutions accepting Deposits, which money market accounts and other accounts are likely to bear relatively low interest rates. Under the Act and the Program, each financial institution accepting Deposits must offer a prevailing interest rate for such a Deposit at such financial institution. However, the financial institutions accepting Deposits may have varying credit qualities, and may offer prevailing interest rates on Deposits that are less than the interest rates offered on similarly sized deposits for similar terms at other financial institutions.

If you open your Account at a financial institution accepting Deposits, you may choose the Age-Based Option or the Fixed Income Option as an investment strategy, but you may not choose the Equity Option or the Principal Protection Income Option. The Portfolios under the Age-Based Option or the Fixed Income Option for Accounts opened through a financial institution accepting Deposits will differ from the Portfolios of the same Investment Option for Accounts opened through a financial institution not accepting Deposits, as a result of differing investment components. Therefore, your selection of the financial institution at which you open your Account will determine the Portfolio which will provide the investments for your Account. Accordingly, you should verify with the financial institution through which you are opening your Account whether or not such financial institution is accepting Deposits under the Program. If you want your Portfolio to invest in Deposits, you should open your Account through a financial institution accepting Deposits. If you do not want your Portfolio to invest in Deposits under the Age-Based Option or the Fixed Income Option or if you want to select the Equity Option or the Principal Protection Income Option as an investment strategy, you should open your Account through a financial institution not accepting Deposits.
**General Program**

*Absence of Guarantees.* Neither the principal contributed to, nor the investment return on, the Accounts is guaranteed by the FDIC, the State or any of its agencies, the Treasurer, the Trust, any other state or federal governmental agency, Citigroup Inc., Citibank F.S.B., any other depository institution, the Manager or any affiliate of the Manager. As described herein, the allocable portion of the Deposits in any financial institution accepting Deposits will be insured by the FDIC or the National Credit Union Administration up to the statutory maximum (currently $100,000) per Account Owner, per financial institution. You could lose money, including your original contribution, or not make money, by investing in the Program.

*Investment Risks.* As of the date hereof, the Portfolios are invested in the Funds and the Deposits, if applicable. Accordingly, your investment in the Program is subject to the investment performance and the risks associated with investing in the Funds and the Deposits, if applicable, including (but not limited to) market risk and issuer risk. For example, investing in equity securities is subject to the risk that the stock market as a whole may decline, causing such securities’ prices to decline, and the risk that the price of a particular issuer’s stock may decline. Debt securities (including without limitation the Deposits) are subject to the risk that the issuer may not be able to pay interest or principal when due. The value of debt instruments (including without limitation the Deposits) generally rises and falls inversely with prevailing current interest rates. The longer the maturity of the debt instruments, the greater the interest rate risk. Keep in mind that if the investments selected for the Portfolios change in the future, the risks associated with investing in the Trust may change.

*Risk of Equity Option.* Equity funds are characterized by greater growth potential over longer time periods than fixed income funds, but also involve increased risk in terms of price volatility. This investment option is only appropriate for investors with longer time horizons who are comfortable with an increased level of risk while seeking higher longer-term returns, or who use this option as part of an overall college savings strategy that includes less aggressive investments. The Equity Option will not provide for capital preservation at any particular time. The Equity Option may underperform other investment options and Portfolios, particularly if equity securities generally underperform other asset classes for any particular period of time. Account Owners electing the Equity Option should carefully review the investment risks applicable to Funds investing in equity securities. See “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.”

*Risk of Fixed Income Option.* Fixed income funds generally are characterized by more price stability than equity funds, but offer less potential for long-term growth of capital. This investment option may be appropriate for investors who are seeking the more stable returns of a fixed income investment, and who are willing to forgo the long-term capital appreciation potential of equity investments. It may also be appropriate as one part of an overall college savings strategy that includes more equity-oriented investments. The Fixed Income
Option will not seek capital appreciation. The Fixed Income Option may underperform other investment options and Portfolios, particularly if debt securities generally underperform other asset classes, for any particular period of time. Account Owners electing the Fixed Income Option should carefully review the investment risks applicable to Funds investing in fixed income securities. See “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds.”

**Risks of Principal Protection Income Option.** Among the principal risks of investing in the Principal Protection Income Option Portfolio are interest rate risk, credit risk, derivatives risk and market risk. See “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds—Fixed Income Securities” and “—Derivatives.” To the extent the Principal Protection Income Option Portfolio invests in foreign securities, these securities have risks associated with investments in foreign securities. See “RISK FACTORS AND SPECIAL CONSIDERATIONS—The Funds—Foreign Securities.” While Wrapper Agreements are designed to reduce significantly fluctuations in value of the Covered Assets, the use of the Wrapper Agreements involves particular risks and considerations. The use of the Wrapper Agreements does not assure that the Principal Protection Income Option Portfolio will achieve its investment objective, and an Account Owner may still lose money by selecting the Principal Protection Income Option Portfolio. The following are some of the risks associated with the Principal Protection Income Option:

- Should the Portfolio hold securities, other than money market securities and money market fund securities, which do not benefit from the protection typically afforded by a Wrapper Agreement, the value of these assets could fluctuate and the Principal Protection Income Option Portfolio accordingly could fail to attain its investment objective. Assets might not benefit from the book value protection for a number of reasons, including: if (i) the Program or the Code is amended in any way which results in very significant withdrawals from the Principal Protection Income Option Portfolio; (ii) a Wrapper Provider defaults on its obligations under the Wrapper Agreement or the financial stability of a Wrapper Provider deteriorates enough to call into question the Wrapper Provider’s ability to meet its obligations under the Wrapper Agreement; (iii) the Program ceases to be a Qualified Tuition Program; (iv) the Principal Protection Income Option Portfolio hires a successor to the manager of the Principal Protection Income Option Portfolio who is deemed unacceptable to the Wrapper Provider; (v) the Principal Protection Income Option Portfolio, without the Wrapper Provider’s written agreement, changes its investment policies; (vi) the Principal Protection Income Option Portfolio’s underlying investments are invested in a manner that does not comply with agreed upon guidelines, and such noncompliance is not timely corrected in accordance with a Wrapper Agreement; (vii) the Portfolio is unable to obtain an additional Wrapper Agreement if the Portfolio exceeds the size limits specified in the then existing Wrapper Agreements; or (viii) the Principal Protection Income Option Portfolio terminates a Wrapper Agreement or a Wrapper Agreement is terminated by the Wrapper Provider, and the Principal Protection
Income Option Portfolio does not replace it with another Wrapper Agreement.

- Investment requirements imposed on the Principal Protection Income Option Portfolio by the Wrapper Agreements could lower returns for a number of reasons, including (i) requiring that certain assets be invested in money market securities, or (ii) under some circumstances requiring a disposition of assets under market conditions when the Principal Protection Income Option Portfolio would not ordinarily sell such assets.

- Wrapper Agreements do not protect the Principal Protection Income Option Portfolio from loss resulting from the default on principal or interest payments or other impairment of any Covered Asset. In most cases, such a loss would reduce the future Crediting Rate. Under certain circumstances, such an asset would no longer be subject to the book value protection provided under any Wrapper Agreement.

- The level and timing of contributions allocated to, and withdrawals and transfers from, the Principal Protection Income Option Portfolio by Account Owners affects the Crediting Rate and can result in a different Crediting Rate, either lower or higher, than would be the case if the level and timing of contributions and withdrawals were different.

- The Principal Protection Income Option Portfolio may enter into Wrapper Agreements that may have significantly different features than those described above and which could therefore have different risks and involve different considerations than those described above.

**Impact of Inflation on Qualified Higher Education Expenses.** The impact of inflation on qualified higher education expenses is uncertain, and the rate of inflation could exceed the rate of return on your investment in an Account. This risk could be increased if you choose the Fixed Income Option or the Principal Protection Income Option. Accordingly, the balance in your Account may be insufficient to meet the qualified higher education expenses of the Beneficiary.

**Changing Legal Regulations.** It is possible that Congress, the Treasury Department, the Internal Revenue Service (the “Service”), the State and other taxing authorities or the courts may take actions that will adversely affect the Program as described in this Program Disclosure Statement and that such adverse effects may be retroactive. In addition, the Service has proposed regulations under Section 529 of the Code (the “Proposed Regulations”), but has not issued final tax regulations concerning qualified tuition programs. When issued, such regulations may alter the tax consequences summarized in this Program Disclosure Statement, require changes in the Program to achieve the tax benefits described or have a significant impact on the Program and your investment in your Account. In the event that the Treasurer and the Manager agree that a change in the tax or other federal or state law makes continued operation not in the best interests of Account Owners or Beneficiaries, then neither the Treasurer nor the Manager is under any obligation to continue the Program. There can be no assurance that a change of law will not adversely
affect the Program or the value, either to you or to the Beneficiary, of your investment in an Account.

**Financial Aid Eligibility.** The Beneficiary may wish to participate in federal, state or institutional loan, grant or other programs that assist students and their parents in paying for educational costs. The manner in which Account assets will be treated under such programs, particularly in connection with calculating the “expected family contribution” (as described below), is uncertain and unclear at this time. The United States Department of Education has not issued any formal regulations or policies regarding the status of Section 529 programs and their impact on eligibility for financial aid, and the Treasurer has not sought such advice from the Department of Education. Separately, in an informal letter to a United States Senator, the Department of Education has indicated that, for financial aid purposes under the federal Higher Education Act, assets in an account under a Section 529 program are considered to be the assets of the account owner and the distribution of earnings from such an account for qualified higher education expenses on behalf of a beneficiary are considered to be income of such beneficiary when distributed. In a separate letter addressing Section 529 Programs in Delaware, Massachusetts and New Hampshire, the United States Department of Education has confirmed its position with respect to the ownership of the assets of an account under a Section 529 Program and the inclusion of the earnings portion of a withdrawal from such an account, as described in this Disclosure Statement. Said letter also states that, for purposes of determining income for financial aid eligibility, prior to January 1, 2002, the United States Department of Education considered the earnings portion of a distribution for qualified higher educational expenses from an account as includible in the income of the beneficiary for the following year. It is not clear whether the Department would consider such a distribution as includible in the income of the beneficiary on and after January 1, 2002, since such a distribution is not taxable as income of the beneficiary on and after said date. There can be no assurance as to how Account assets are or will be treated under such federal, state or institutional loan, grant or other financial assistance programs now or in the future.

The following discussion is a summary of the financial aid treatment of Accounts under the federal financial aid methodology, and is based on provisions of the Higher Education Act and interpretations existing at the date of this Program Disclosure Statement. However, this discussion is not intended to be exhaustive, nor is it intended as financial aid advice, and it is possible that Congress, the United States Department of Education or the courts may take action that will affect the Higher Education Act and the interpretations thereunder. In addition, individual schools are not required to use the federal financial aid methodology in awarding their institutional financial aid. Thus, the treatment of an Account by an individual Eligible Educational Institution for institutional financial aid purposes may differ from the treatment of an Account under the federal financial aid methodology. As a result, you may wish to consult with a financial aid advisor or financial aid office at a particular Eligible Educational Institution.

A student’s need or eligibility for federal financial aid is generally determined by subtracting the “expected family contribution” ("EFC") for that student from
the “cost of attendance” (which includes tuition, fees and books, and, in some cases, room and board). The EFC for each student is derived from the parents’ income and net assets (if the student is a dependent) and the student’s income and net assets (and in some cases from the income and assets of the student’s spouse, if any). Parental income and income of the students are often the single largest factors in such a determination, and assets are a secondary factor. For those parental assets that are factored into determining a student’s EFC, the factored percentage ranges from 3% to 5.6%. Generally, for student assets (and assets of a student’s spouse, if applicable), the factored percentage is much greater, at 35%. Thus, the EFC of a student will vary depending upon whether Account assets and distributions of earnings are attributed to the parent or the student. Therefore, because of the uncertainty as to how Account assets are treated in determining the EFC for federal, state or institutional loan, grant or other programs, there can be no assurance that Account assets or distributions will not be attributed to the Beneficiary, thereby receiving less favorable treatment in calculating the EFC.

Under recently enacted legislation under Illinois law, contributions to the Program may be considered in evaluating the financial situation of the designated Beneficiary or may be deemed a financial resource of or a form of financial aid or assistance to the designated Beneficiary, for purposes of determining eligibility for scholarship, grant or monetary assistance that the designated Beneficiary is eligible to be awarded by the Illinois Student Assistance Commission, the State, or any agency thereof in accordance with the provisions of any State law.

Other Investment Programs. If you are a resident of a state other than Illinois, you may have the opportunity to invest in a Section 529 Program sponsored by the state of your residence that may provide state tax benefits not available to you by investing in Bright Start.

Varying Investment Results. As with any investment, the return you can expect on your investment in a particular Portfolio will vary depending on circumstances, and past Account, Portfolio, or Fund performance is no guarantee or indication of future results. In addition, if you choose the Age-Based Option, you can expect the performance of your investment in the Program to change because the mix of assets in which you invest will change over time to correspond to the age of the Beneficiary.

Changes in Policy Statement. The Policy Statement sets forth the policies, objectives and guidelines that govern the investment of Program assets, including without limitation asset allocation guidelines. From time to time, the Treasurer may change the investment guidelines for the Program. If a change in the Policy Statement requires, the Manager will cause a Portfolio to divest itself of ownership of shares of one or more Funds or one or more Deposits. Even if the Policy Statement does not change, the Manager, with the consent of the Treasurer, may change to a different allocation among Funds and Deposits within a Portfolio, may add or substitute new funds or investments, or may cause a Portfolio to divest itself of its investment in Funds or certain Deposits, if any such action is deemed to be desirable to meet the parameters of the Policy Statement.
During the transition from investment in one Fund to investment in another Fund with respect to a particular asset class, a Portfolio may be temporarily uninvested and lack market exposure to such asset class. During such transition period, a Portfolio may temporarily hold a basket of securities to the extent that the Fund from which it redeems chooses to satisfy the Portfolio’s redemption out of such fund on an in kind basis. In such event, the Manager will seek to liquidate the securities received from the Fund as promptly as practicable so that the proceeds can be promptly invested in the replacement Fund. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. A Fund from which a Portfolio redeems may impose redemption fees with respect to shares in such Fund that were held by the Portfolio for a short period of time (typically 60 days or less). In such event, the Portfolio, and Accounts invested in such Portfolio, will bear such redemption fees. See “Fees and Expenses”.

Changes in Manager. The initial term of the Services Agreement ends in March, 2007. The Services Agreement may be extended at the option of the Treasurer for an additional three-year period after the initial term ends (the “extension term”). The Treasurer has the right to terminate the Services Agreement earlier under certain circumstances, such as a breach of the Services Agreement or failure to meet specific performance standards under the Services Agreement.

If the initial or extension term expires and is not extended, or if the Services Agreement is terminated under certain circumstances set forth in the Services Agreement, the Manager may, at the discretion of the Treasurer, continue to provide services under the Services Agreement with respect to Accounts in existence as of the last day of the term. Upon the expiration or termination of the Services Agreement, the Treasurer may appoint another Program manager with respect to existing as well as new Accounts. In either case, the fee and compensation structure may be higher than the fee originally paid under the Services Agreement, and, in the case of a successor Program manager, that manager may recommend different investments for the Portfolios or achieve performance results that are different than those that may have been achieved by the Manager.

The Right of the Manager to Terminate Its Relationship with the Program. The Manager may terminate the Services Agreement during its initial term or its extension term in the event of a material breach of the Services Agreement by the Treasurer or the inability of the Treasurer to continue to be involved in the Trust as specified in the Act.

No Guarantees with Respect to Eligible Educational Institutions. There is no guarantee that, as a result of being the Beneficiary of an Account in the Program, a Beneficiary will be accepted at any Eligible Educational Institution. Even after he or she begins to attend an Eligible Educational Institution, there is no guarantee that the Beneficiary will be able to continue to attend, that he or she will graduate, or that he or she will be considered a resident of any particular state for tuition purposes.
Market and Economic Factors. The unit prices and yields of the Portfolios will fluctuate in response to various market and economic factors related to both the stock and bond markets. The value of each Portfolio will vary from day to day, reflecting changes in these markets and in the values of the investments in which the assets are placed. You could lose money on your investment in a Portfolio, or the Portfolio may not perform as well as other investments. An investment in any of the Portfolios is not a bank deposit and is not insured or guaranteed by the FDIC, the State or any of its agencies, the Treasurer, any other state or federal governmental agency, Citigroup Inc., Citibank F.S.B., any other depository institution, the Manager or any affiliate of the Manager. Although the Manager is a subsidiary of Citigroup Inc., investments in the Program are not deposits or other obligations of Citigroup Inc., the Manager, Citibank F.S.B., or any other depository institution and are not guaranteed by Citigroup Inc., the Manager, Citibank F.S.B., or any other depository institution. As described herein, the allocable portion of Deposits in any financial institution will be insured by the FDIC or by the National Credit Union Administration up to the statutory maximum (currently $100,000) per Account Owner whose Account or Accounts’ assets are invested in Portfolios with Deposits, per financial institution. There can be no assurance that the investment goals of a Portfolio will be achieved.

Medicaid Eligibility. An Account Owner or a Beneficiary may seek eligibility for Medicaid, and the impact of the existence of an Account in the name of an Account Owner on behalf of a Beneficiary is not clear. There is no assurance that an Account will not be treated as a “countable resource” in determining the financial eligibility of either an Account Owner or a Beneficiary for Medicaid. In addition, withdrawals from an Account, whether a Qualified Withdrawal or a Non-Qualified Withdrawal (as each term is hereinafter defined under “Withdrawals” in the Disclosure Statement), may delay Medicaid payments to an Account Owner or a Beneficiary, as the case may be. Account Owners and Beneficiaries should consult their own qualified advisors as to the impact that an Account and withdrawals from an Account may have on Medicaid eligibility and the timing of Medicaid payments.

Other Considerations. An investment in the Trust will not be appropriate for all investors. You should evaluate the Program, the investment option you select, and the Portfolios in the context of your overall financial situation, investment goals, other resources and needs (such as liquidity) and other investments. If you consider yourself an especially aggressive or conservative investor, you may want to save for higher education by making investments in addition to or other than through the Trust to seek to achieve the investment result that is right for you.

The Funds

General Investment Risks. The ability of a Portfolio to meet its investment goals is directly related to the ability of the Funds to meet their objectives as well as the allocation of Portfolio assets among those Funds. The performance of the Funds, in turn, depends on the performance of the stock, bond, and money markets in the U.S. and abroad. There can be no assurance that the investment goals of any Portfolio or Fund will be achieved.
**Portfolio Turnover.** Each Fund may engage in active and frequent trading to achieve its principal investment strategies. Frequent trading increases transaction costs, which could detract from a Fund’s performance.

**Fixed Income Securities.** Certain Funds may invest in fixed income securities. When interest rates go up, prices of fixed income securities generally go down. The longer the maturity of the securities, the greater the interest rate risk. An issuer of a fixed income security may default on its obligation to pay principal and/or interest or have its credit rating downgraded. Such issuer may prepay principal earlier than scheduled, which would force a Fund to reinvest in lower yielding securities. Slower than expected principal payments may extend a fixed income security’s life. This locks in a below-market interest rate, increases the security’s duration and reduces the value of the security. The Smith Barney Core Plus Bond Fund Inc. may invest a portion of its assets in high yield, high risk corporate and government debt securities rated below investment grade. Such securities are considered speculative with respect to the issuer’s ability to pay interest and principal and are susceptible to default or decline in market value because of adverse economic and business developments. The market values for high yield securities tend to be very volatile, and high yield securities are less liquid than investment grade fixed income securities.

**Equity Securities.** Certain Funds may invest in equity securities. Equity securities are subject to the risk that the prices of such securities may decline generally. If an adverse event occurs, such as the issuance of an unfavorable earnings report, the value of a particular issuer’s security may be depressed.

**Foreign Securities.** The MFS Institutional International Research Equity Fund focuses upon non-U.S. securities, and other Funds may invest a portion of their assets in securities of non-U.S. issuers. Securities of non-U.S. issuers include non-dollar denominated securities traded outside the U.S. and dollar-denominated securities traded in the U.S. (such as ADRs).

Investing in non-U.S. issuers involves special risks compared to investing in the securities of U.S. issuers, including risks relating to interest rates, currency exchange rates, economic and political conditions. These risks are more pronounced to the extent a Fund invests in issuers in countries with emerging markets. Less information about non-U.S. issuers or markets may be available because of less rigorous disclosure and accounting standards or regulatory practices in non-U.S. countries than in the U.S. There generally is less government supervision and regulation of exchanges, brokers and issuers than in the U.S. A Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. There also is a possibility that expropriation of assets, repatriation, confiscatory taxation, or economic, political or social instability or diplomatic developments could adversely affect investments in certain countries. Foreign governmental obligations may involve the risk of debt moratorium, repudiation or renegotiations, and a Fund may be unable to enforce its rights against the issuers.

Many non-U.S. markets are smaller, less liquid and more volatile than U.S. markets. In a changing market, a Fund’s investment advisor may not be able to sell a Fund’s portfolio securities in amounts and at prices the investment adviser considers reasonable. Transaction costs in non-U.S. securities markets generally are higher than in the U.S. The U.S. dollar may appreciate against non-U.S.
currencies, or a foreign government may impose restrictions on currency conversion or trading. The occurrence of such an event may cause the value of such a non-U.S. security to decline. Moreover, the economies of non-U.S. countries may grow at a slower rate than expected or may experience a downturn or recession. Dividend and interest income from non-U.S. securities generally will be subject to withholding taxes by the country in which the issuer is located and may not be recoverable by a Fund or the Portfolio invested in that Fund.

**Small Capitalization Issuers.** The Oppenheimer Main Street Small Cap Fund® invests mainly in stocks of small-cap companies, which generally are newer companies. While these stocks may offer greater opportunities for long-term capital appreciation than larger, more established companies, they involve substantially greater risks of loss and price fluctuations. Small-cap companies may have limited product lines or markets for their products, limited access to financial resources and less depth in management skill than larger, more established companies. Small-cap stocks may be less liquid than those of larger issuers. That means the fund could have greater difficulty selling a security of a small-cap issuer at an acceptable price, especially in periods of market volatility. That increases the fund’s potential for losses. Also, it may take a substantial period of time before the fund realizes a gain on an investment in a small-cap company, if it realizes any gain at all.

**Derivatives.** Some of the Funds may, but need not, use derivative contracts (such as futures and options on securities, securities indices or currencies; options on futures; forward currency contracts; and interest rate or currency swaps) for non-speculative purposes, to hedge against the economic impact of adverse changes in the market value of their securities because of changes in stock market prices, currency exchange rates or interest rates. Derivatives may be used as a substitute for buying or selling securities.

A derivative contract will obligate or entitle a fund to deliver or receive an asset or cash payment based on the change in value of one or more securities, currencies or indices. Even a small investment in derivative contracts can have a big impact on a Fund’s stock market, currency and interest rate exposure. Therefore, using derivatives can disproportionately increase losses and reduce opportunities for gains when stock prices, currency rates or interest rates are changing. A Fund may not fully benefit from or may lose money on derivatives if changes in their value do not correspond accurately to changes in the value of the Fund’s holdings. The other parties to certain derivative contracts present the same types of issuer risk as issuers of fixed income securities. Derivatives can also make the Fund less liquid and harder to value, especially in declining markets.

**Deposits**

**General Investment Risks.** The ability of a Portfolio containing Deposits to meet its investment goals is directly related to the allocation of Portfolio assets among the Funds and the Deposits (such allocation being statutorily required or required by the Policy Statement), as well as the ability of the Funds and the Deposits to meet their respective objectives. The performance of the Deposits depends upon the prevailing rates of various deposits at the financial institutions accepting Deposits, the percentage of the participating financial institutions in each Portfolio with Deposits and the maturity dates of the Deposits chosen by
the Manager in accordance with the Policy Statement. There can be no assurance that the investment goals of any Portfolio containing Deposits will be achieved.

**Choice of Financial Institutions Accepting Deposits.** If you open your Account through a financial institution accepting Deposits, you will have chosen a Portfolio that will invest a portion of your Account in Deposits, since the Act statutorily requires that certain percentages of your Account be invested in Deposits, based on the age of your Beneficiary. If you do not wish to have the Trust invest your Account in Deposits, you must open your Account through a financial institution which does not accept Deposits. A Portfolio containing Deposits may or may not provide an investment return as great as other Portfolios in the Program. A Portfolio containing Deposits will be distinct and different from an investment option that does not contain Deposits. An investment option with Deposits may not have as high a rate of return as an investment option without Deposits.

**Federal Insurance.** The moneys in each Account to be invested in Deposits will be invested in Deposits of each of the financial institutions accepting Deposits in the Program. Each Account Owner who selects Portfolios with Deposits will have Trust interests reflecting a fractionalized interest in the Deposits at each such financial institution. To the extent that the fractionalized interests of all of the Accounts of an Account Owner in the Deposits at any such financial institution are $100,000 or less, under current law, such fractionalized interest will be insured up to $100,000 by the FDIC, in the case of banks, savings banks and savings and loan associations, and by the National Credit Union Administration, in the case of federally insured credit unions. Although the current maximum statutory insurance coverages are set at $100,000, statutory change could raise, lower or eliminate such federal insurance. In addition, if a financial institution accepting Deposits were to fail, so that such financial institution could not repay a Deposit, there may be administrative difficulties in realizing on the federal insurance with respect to such Deposits. Notwithstanding anything herein to the contrary, if a financial institution accepting Deposits were to fail, no assurances can be given that (i) the FDIC or the National Credit Union Administration could not make a different determination of the insurance coverage for each Account Owner, and could not seek to limit such federal insurance coverage, or (ii) the FDIC or the National Credit Union Administration might not prevail in such an attempt to otherwise determine or to limit the coverage.

**Collateralization.** To the extent that the fractionalized interest of all Accounts of an Account Owner in the Deposits at any financial institution accepting Deposits exceeds the federal insurance limits as described above, the Act and the various Program documents require that the Deposits be collateralized at certain levels with certain securities under certain circumstances as described in this Program Disclosure Statement. The collateralization levels may not yield returns that would fully protect the investment of an Account Owner, are subject to market factors which could leave the investment of one Account Owner under-collateralized until the next valuation date, and are subject to the ability of the financial institutions to provide the requisite collateral. Although the collateral consists of United States Treasury obligations, any adverse consequences to the credit of the United States of America could affect the
collateralization of the Deposits allocable to the Accounts of an Account Owner. In addition, if a financial institution accepting Deposits were to fail, no assurances can be given that (i) the FDIC or the National Credit Union Administration, as receiver of the failed institution, might not seek to set aside such collateral, or (ii) the FDIC or the National Credit Union Administration might not prevail in such an attempt to set aside such collateral.

**Statutory Risks.** The Act requires that certain percentages of each Account opened through a financial institution accepting Deposits be invested in Deposits. The Act also imposes several other requirements with respect to the Deposits which may impact the return on the investments in the Deposits. The Act requires that all Deposits be federally insured or fully collateralized. In the event that a financial institution must collateralize any of its Deposits, the financial institution may offer a lower rate of interest on such Deposits to compensate for the required collateralization. The Act requires each financial institution accepting Deposits to offer prevailing rates offered by such financial institution on such Deposits. However, a prevailing interest rate at a participating financial institution on a Deposit of a certain size and duration may not be as high as prevailing market interest rates or other interest rates offered by other financial institutions for deposits of the same size and duration. Consequently, the interest rates offered by participating financial institutions on Deposits may not be competitive. In addition, although the Manager will monitor the interest rates offered by participating financial institutions on Deposits, the Manager may be limited in its ability to obtain a higher rate of interest on a Deposit if the Manager determines that an offered interest rate is not a prevailing rate at that financial institution. The Act also requires the Deposits to be made with financial institutions accepting Deposits, regardless of the financial strength of the financial institution or the ability of the financial institution to offer the appropriate Deposits.

**Interest Rate Risks.** Although the Act requires that the Deposits bear interest at prevailing rates, the offered interest rates on the Deposits may not be competitive with interest rates offered by other financial institutions on similar deposits. Furthermore, the Treasurer, upon the recommendation of the Manager, has chosen to require that the investment in Deposits will be allocated among short-term Deposits, medium-term Deposits and longer-term Deposits, depending upon the age of each Beneficiary. The financial institutions accepting Deposits may not make Deposits available with the desired maturity dates. A certain percentage of the moneys from each Account to be invested in Deposits will be invested in short-term Deposits to maintain liquidity in order to accommodate withdrawals and to accommodate the annual readjustment of Deposits among participating financial institutions. Generally, shorter-term investments have lower rates of return than longer-term investments, although market forces may not always operate in such manner. Nevertheless, certain factors affecting the investment in Deposits will require shorter-term investments, which may result in lower rates of return on the investment in Deposits. For example, the liquidity requirement previously discussed will require short-term Deposits and moneys initially deposited in Accounts that must be invested in Deposits will be invested in short-term Deposits until the annual readjustment of the Deposits among financial institutions accepting Deposits occurs.
Market Risks. It is anticipated that medium-term and longer-term Deposits will have maturities greater than one year. It is expected that all Deposits will be held to their respective maturity dates. The Manager does not intend to sell or liquidate any Deposits in response to movements in interest rates. Consequently, interest rates will be locked in for long periods of time based on the prevailing rates existing at the time of investment. In a rising interest rate environment, the value of Deposits will decrease and the value of an Account that is invested in Deposits will be adversely affected. Furthermore, the Manager will be unable to take advantage of such higher rates until such Deposits mature. In a declining interest rate environment, the value of Deposits will increase, but the Manager will not liquidate or sell such Deposits to take advantage of the increased market value of the Deposits. When Deposits mature, the moneys may be reinvested in short-term Deposits until the immediately following applicable annual readjustment date at which time the moneys will be reinvested at then prevailing rates. There can be no assurance regarding prevailing interest rates at the time of reinvestment.

Impact of Deposits on Other Portfolio Assets. The statutorily required annual readjustment of Deposits among financial institutions and the increased levels of Deposits as a Beneficiary ages may require the liquidation of equity securities or fixed income securities in certain Portfolios at a time when the value of such securities is low, resulting in a loss to an Account.

Credit Risk. The Act requires the Manager to invest moneys in Deposits at financial institutions accepting Deposits regardless of the credit quality of the financial institution. Therefore, the financial institutions at which Deposits may be made may be unrated or may be of very low credit quality. Because the Act requires the Trust to make the Deposits without regard to credit quality, there can be no assurances regarding the ability of such financial institutions to repay the Deposits notwithstanding the federal insurance on or collateralization of the Deposits.

Liquidation Penalties. In the event that any Deposit must be liquidated prior to its stated maturity date either because of unanticipated withdrawals from the Accounts, because of the need to re-balance asset classes or because liquidity is necessary to make the annual readjustments of the Deposits among the financial institutions accepting Deposits, liquidation penalties may be imposed by such financial institutions. Under the Program, the Trust will be responsible for paying such liquidation penalties from the pool. The payment of such liquidation penalties will adversely affect, and in some cases will materially adversely affect, the return on investment of the Portfolios with Deposits. Under the rules and regulations, the Treasurer may impose a penalty on an Account Owner for withdrawals from an Account to compensate the Trust for the payment of any such early liquidation penalty.

Asset Valuation/Pricing of Units

Amounts contributed to your Account will be invested in a Portfolio at the calculated unit value for that Portfolio no later than on the business day following the day your contribution is received by the Manager or its designee provided that amounts contributed by electronic transfers will be invested in a
Portfolio at the unit value for that Portfolio on the day of the transfer or, in certain instances, on the day that the funds become available for investment. The unit value of each Portfolio is calculated as of the close of regular trading (normally, 4:00 p.m. Eastern Time) on the New York Stock Exchange (“NYSE”) each day that the NYSE is open for trading. Prior to making your initial contribution, a properly completed and signed application must have been accepted by the Manager or its designee.

The net asset value (“NAV”) of a Portfolio per unit is calculated by dividing the value of its net assets by the total number of units of the Portfolio outstanding. NAV per unit is based on the value of the investments of the Portfolio, including its holdings in the Funds and the Deposits. The NAV per share of each Fund (except the Smith Barney Money Funds Cash Portfolio) is determined as of the close of regular trading on the NYSE. The NAV per share of the Smith Barney Money Funds Cash Portfolio is determined at 12:00 noon Eastern Time on each day the NYSE is open. The value of the Deposits will be determined by a sampling of current Deposit rates which are representative of each Deposit pool. The sampling will then be used to create a matrix to value the Deposits. Each Portfolio will be closed for wire purchases and redemptions on days when the Federal Reserve Wire System is closed.

The Portfolios generally do not make distributions of their income, including dividends, interest and capital gains. All income is reflected in the Portfolio’s calculated unit value each business day.

**CONTRIBUTIONS**

**General.** Anyone may make a contribution to your Account and, if applicable, deduct such contribution from his or her taxable income for purposes of the Illinois State income tax. See “Tax Matters—State of Illinois Income Tax Consequences.” However, any contribution to the Account may have gift or other tax consequences to the contributor or the Account Owner. Anyone making such a contribution, other than the Account Owner, will forfeit any rights to such contributions. So, for example, for purposes of withdrawals from the Account, changes in the Beneficiary and all other Account-related purposes, only the Account Owner may give directions regarding the Account.

**Minimum and Maximum Contributions.** The minimum initial contribution to an Account is $25, and the minimum subsequent contribution is $15, except in the case of contributions by electronic transfer to an Account established pursuant to corporate and other employer relationships there is no minimum initial or subsequent contribution. The Manager may waive or vary such minimums for one or more Accounts in its sole discretion. The aggregate balance limit for Accounts under the Program and accounts under all other Section 529 Programs established and maintained by the State of Illinois (including College Illinois!) for a particular Beneficiary is $235,000. This means that no additional contributions (including rollover contributions) may be made to an Account if the aggregate balance limit is reached. If the Manager determines that a contribution (including rollover contributions) that you wish to
make would result in the Account balances for all Accounts and all accounts in other Section 529 Programs established and maintained by the State of Illinois (including College Illinois!) for a particular Beneficiary exceeding the $235,000 limit (an “excess contribution”), the excess contribution either will not be accepted or will be returned to you. You may resume making contributions if the aggregate balance in the Account and accounts under all other Illinois Section 529 Programs for the Beneficiary falls below $235,000.

The minimum investment requirement and maximum limit are subject to change. In particular, if the Service adopts final regulations, the Service may require or permit a maximum limit that differs from the $235,000 limit set under the Program. In such event, you may be required to reduce the level of your Account by making non-qualified withdrawals from the Account, which could be subject to the applicable penalty and taxes. The Manager will review annually the maximum contribution limits to determine continued compliance with Section 529 of the Code, and will make any recommendations to the Treasurer concerning such maximum contribution limits. Under the Act, the Treasurer must limit the contributions made on behalf of a Beneficiary to the actuarial estimation of the amount necessary to pay qualified higher education expenses for five undergraduate years at the highest cost eligible Eligible Educational Institution.

**How to Contribute.** All contributions must be in cash, and must be processed through a participating financial institution. For these purposes, money orders, checks drawn on a U.S. bank and bank transfers are considered cash. Checks should be made payable to “Bright Start.” Third party checks will only be accepted at the Manager’s discretion. You may not charge contributions to your credit card, nor may you contribute stocks, bonds or other property that you own to your Account, although you may contribute assets of a Uniform Transfers to Minors Act (“UTMA”)/Uniform Gift to Minors Act (“UGMA”) account into your Account as described under “Tax Matters.” Contributions may be made in person at your local financial institution or may be made by mail as follows:

Bright Start College Savings Program  
P.O. Box 6241  
Chicago, Illinois 60680

**Contributing Assets of an UTMA/UGMA Account.** If you are the custodian of an UTMA/UGMA account for a Beneficiary, you may elect to place part or all of the UTMA/UGMA account assets into an Account after converting such assets to cash. The conversion of non-cash UTMA/UGMA account assets to cash for contribution to the Account will be a taxable transaction. It is also important to note that while the Beneficiary is a minor, the Beneficiary of the Account cannot be changed, and there can be no Non-Qualified Withdrawals (as defined in “Withdrawals”) other than for the benefit of the Beneficiary in accordance with the terms governing the UTMA/UGMA account. Also, when the Beneficiary reaches the age of majority, he or she will become the sole Account Owner with complete control over the Account.

Contact your local financial institution or call a Program representative toll free at 1-877-43-BRIGHT (1-877-432-7444) for more information.
WITHDRAWALS

Qualified Withdrawals. You must use moneys from your Account to pay qualified higher education expenses of your Beneficiary or be subject to certain penalties. A qualified withdrawal (“Qualified Withdrawal”) is a withdrawal made to pay qualified higher education expenses of the Beneficiary, as described below under “TAX MATTERS.” You may request a Qualified Withdrawal from an Account by completing a Withdrawal Form. The Form will ask you to provide certain information, including: (i) your name and social security number; (ii) the name and social security number of the Beneficiary; (iii) the dollar amount you wish to withdraw; and (iv) the name and address of the payee.

The amounts withdrawn must be sent (i) in the form of a check directly to the Eligible Educational Institution, (ii) in the form of a check directly to a vendor, (iii) in the form of a check payable to both the Beneficiary and the Eligible Educational Institution or vendor, or (iv) in the form of a check payable to the Account Owner or the Beneficiary, as payment for qualified higher education expenses. If your withdrawal is processed through a wire transfer, the Manager will charge a fee of $25 for this service.

Non-Qualified Withdrawals. All withdrawals other than Qualified Withdrawals are considered non-qualified withdrawals (“Non-Qualified Withdrawals”). You will pay federal income taxes on investment earnings withdrawn as a Non-Qualified Withdrawal, as well as an additional 10% federal tax on such investment earnings withdrawn as a Non-Qualified Withdrawal, unless you qualify for an exception, as discussed under “TAX MATTERS.” For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Accounts for the Beneficiary having the same Account Owner.

Withdrawals from Accounts with Deposits. In addition to the federal income taxes described above, the Treasurer may impose a penalty on an Account Owner who withdraws funds from an Account invested in a Portfolio containing Deposits to compensate the Trust for the payment of early liquidation penalties with respect to such withdrawal.

Pricing of Withdrawal Requests. Withdrawals result in the redemption of units of the Portfolios in which your Account assets are invested. The number of units to be redeemed will be based on the NAV next determined following the Manager’s or its designee’s receipt of a withdrawal request in good order.

Other Matters Relating to Withdrawals. The Manager reserves the right to delay remittance of redemption proceeds for units purchased by check or via direct deposit or Automated Funds Transfer (AFT) for up to five days. The Manager also reserves the right to require that an Account Owner’s withdrawal request be signature guaranteed by an eligible guarantor institution such as a domestic bank, savings and loan institution, domestic credit union, member bank of the Federal Reserve System or member firm of a national securities exchange if the Account Owner has effected a change of address or change of Account Owner within thirty days of such withdrawal request.
CHANGING THE BENEFICIARY OF YOUR ACCOUNT

With the exception of Accounts owned by minor Account Owners and Accounts funded by proceeds from a Uniform Transfers to Minors Act ("UTMA"). Uniform Gift to Minors Act ("UGMA") account, Account Owners may change the Beneficiary of an Account. See “TAX MATTERS—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.” If the new Beneficiary is a family member (as defined in Section 529(e) of the Code) of the current Beneficiary, there is no penalty or adverse tax consequences resulting from such change. If you wish to change the Beneficiary to someone who is not a member of the family of the original Beneficiary, you would make a Non-Qualified Withdrawal, which would be subject to federal income taxation of the investment earnings withdrawn, as well as an additional 10% federal tax on such investment earnings withdrawn as a Non-Qualified Withdrawal, unless an exception applies, and any applicable penalty imposed by the Treasurer on the early liquidation of Deposits. See “TAX MATTERS—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.” Upon a change in Beneficiary for an Account, the Account Owner may also select a different investment option, as hereinafter described. See “ABILITY TO CHANGE INVESTMENT OPTION.”

If an Account Owner is a minor or an investment in an Account consists of the proceeds from a UTMA/UGMA account, the Beneficiary of the Account cannot be changed, the Account cannot be transferred to another Account Owner (other than to another UTMA/UGMA custodian for the benefit of the same Beneficiary), and there can be no Non-Qualified Withdrawals other than for the benefit of the Beneficiary.

You may request a change of the person designated as Beneficiary only by completing a Rollover Form. You will be asked to certify the relationship between the new and the original Beneficiary. If you change the person designated as Beneficiary of your Account, you may select a new investment option for the new Beneficiary based on the circumstances of the new Beneficiary. (Note that you also may transfer Account assets to another Account or to another Section 529 Program for a new Beneficiary as described under “TAX MATTERS—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.”)

Notwithstanding anything in this Program Disclosure Statement to the contrary, as a result of recent guidance from the Internal Revenue Service set forth in Notice 2001-55, (on which the Program is entitled to rely until the United States Treasury Department promulgates final regulations), an Account Owner may select a different investment option for his or her Account for any reason one time in any calendar year, and may also select a different investment option for his or her Account upon any change in the Beneficiary of the Account. Previously, once an Account Owner selected an investment option when the Account Owner opened his or her Account, the investment option could never be changed. Notwithstanding anything in this Program Disclosure Statement to the contrary, an Account Owner will have 30 days after receiving the first quarterly statement concerning the Account after any such election to change
the investment option, as permitted by the Program, to notify the Manager if the Account Owner believes that his or her assets have been invested in the wrong Portfolio. In accordance with Notice 2001-55, the Manager has procedures and records in place to prevent an Account Owner from changing its investment option more frequently than once in a calendar year or upon a change in Beneficiary of the Account.

**TAX MATTERS**

The following discussion summarizes certain aspects of the federal income, gift, estate and generation-skipping transfer tax and Illinois income tax consequences relating to the Trust and your investment in, and withdrawals from, your Account. This discussion does not address other state or local taxes, including taxes imposed by a state other than the State of Illinois.

**Caveats with Respect to Tax Discussion.** This summary is not exhaustive, and you should not construe it as providing advice on your particular situation. In addition, there can be no assurance that the Service will accept the conclusions in this Program Disclosure Statement, or, if challenged by the Service, that these conclusions would be sustained in court. The applicable tax rules are complex, certain of the rules are uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. *You should consult a qualified tax advisor regarding the application of the law to your circumstances.*

**Changing Tax Laws and Regulations.** The summary is based on the relevant provisions of the Code and Illinois State tax law, the Proposed Regulations, other guidance from the Internal Revenue Service that may be relied upon until final regulations are issued and legislative history and interpretations of applicable federal and Illinois law existing on the date of this Program Disclosure Statement. There are or may be pending in the Congress of the United States of America ("Congress") legislative proposals, some of which may have retroactive effective dates, that, if enacted, could alter or amend the federal tax matters described in this Program Disclosure Statement. It is possible that Congress, the Treasury Department, the Service, the State of Illinois and other taxing authorities or the courts may take actions that will adversely affect the tax law consequences described herein and that such adverse effects may be retroactive. The Service has issued no final tax regulations concerning qualified tuition programs and, when issued, such regulations or any ruling may alter the tax consequences summarized in this Program Disclosure Statement or necessitate changes in the Program to achieve the tax consequences described, and they, as well as additional changes to federal or state tax law, could have a significant impact on the Program and your investment in the Portfolios or result in termination of the Program.

**Effective Period of 2001 Tax Act.** The United States Congress has enacted the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "2001 Tax Act"), which made several changes to the federal income tax treatment of Section 529 Programs such as the Program. These changes were effective for tax years
beginning on and after January 1, 2002. For tax years beginning before January 1, 2002, other tax treatment applied. In addition, the 2001 Tax Act provides that all provisions of the 2001 Tax Act cease to apply for any tax year beginning on or after January 1, 2011. Therefore, unless the federal government extends or eliminates this expiration date, or otherwise changes the federal income tax law applicable to Section 529 Programs, for tax years beginning on or after January 1, 2011, the following provisions, among others, of the 2001 Tax Act relating to 529 Plans as discussed in this Program Disclosure Statement will not apply:

- The exclusion from the Beneficiary’s gross income of the earnings portion of withdrawals used to pay for such Beneficiary’s qualified higher education expenses.
- The additional 10% federal penalty tax on the earnings portion of certain taxable withdrawals. In lieu of this tax, the 529 Plan would be required to assess a more than de minimis penalty on such amounts.
- The ability under certain circumstances to make a qualified, tax-free rollover distribution for the benefit of the same Beneficiary.
- The ability under certain circumstances to treat as a Qualified Withdrawal a transfer from one qualified tuition plan account to an account in another qualified tuition plan for the same Beneficiary.
- Inclusion of first cousins within the definition of “member of the family” of a Beneficiary.
- Certain favorable gift, estate, and generation-skipping transfer tax provisions.

Regulations interpreting and implementing the 2001 Tax Act have not yet been adopted or proposed by the United States Treasury Department, and any such regulations or other interpretations could alter the tax consequences discussed in this Program Disclosure Statement.

**Maximum Contribution Limit.** The federal income tax laws require that a limit be placed on the amount that can be invested in an Account. Currently, the aggregate limit on contributions (including rollover contributions) to the Trust under the Program for the benefit of a particular Beneficiary is an amount such that the Account balances and the account balances from other Section 529 Programs established or maintained by the State of Illinois for such Beneficiary do not exceed $235,000. Accounts for the same Beneficiary funded from all sources are aggregated for purposes of applying this limitation, together with any investments for the same Beneficiary funded from all sources in other Section 529 Programs established or maintained by the State of Illinois, including College Illinois! Additional investments in an Account will not be accepted, or will be returned, any time that such a contribution would result in the aggregate Account balances and the account balances from other Section 529 Programs established or maintained by the State of Illinois for the Beneficiary exceeding the maximum contribution limit. The maximum contribution limit may be adjusted in the future, and you will be notified of any changes in the maximum contribution limit. Specifically, future changes in federal income tax law or regulations may require the Treasurer
to adjust the limit. In such event, you may be required to reduce the contribution level of your Account by making Non-Qualified Withdrawals from the Account, which could be subject to applicable penalties and taxes.

**Federal Income Tax Treatment of Investments and Distributions.** The Program is designed to constitute a “qualified tuition program” under Section 529 of the Code. Generally, earnings in the Trust will not be includible in computing the federal taxable income of the Account Owner or the Beneficiary until money is withdrawn or distributed from the Account. How the money is then taxed depends upon how the withdrawal is used.

**Qualified Higher Education Expenses.** Section 529 of the Code defines “qualified higher education expenses” as tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution, as defined above. The term also includes amounts for room and board for Beneficiaries attending school at least half time in a degree or certificate program. The 2001 Tax Act provides that the amount of room and board that will be included in the definition of qualified higher education expenses cannot exceed the greater of (i) the allowance applicable to the Beneficiary included in the “cost of attendance” (as defined under federal law), as determined by the Eligible Education Institution for such period, or (ii) the actual invoice amount the student residing in housing owned or operated by the Eligible Educational Institution is charged by such institution for room and board costs for such period. The definition of qualified higher education expenses is also expanded to include expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with enrollment or attendance at an Eligible Educational Institution.

**Qualified Withdrawals.** The 2001 Tax Act provides that withdrawals will not be included in federal taxable income if such withdrawals do not exceed the qualified higher education expenses of the Beneficiary. Account Owners should retain documentation such as invoices and receipts adequate to substantiate to the Service the qualifying use of such withdrawals. There are two components to such a Qualified Withdrawal: one component is return of principal; the other is a distribution of earnings. Although neither component is taxable for a Qualified Withdrawal, separate accounting for such components is necessary in order to determine how much of the remaining investment in the Account consists of earnings and how much consists of principal invested. For 2002, a pro-rata portion of the total amount withdrawn during the year was considered a return of principal, and the remainder was considered a withdrawal of earnings, determined as of the end of the year. After 2002, however, the earnings portion of a particular withdrawal will generally be determined as of the date of the withdrawal, rather than in the aggregate for all distributions as of the end of the year. If a withdrawal does exceed such expenses, a proportionate amount of the withdrawal will be excluded from taxable income (i.e., the amount otherwise includible in taxable income will be reduced by an amount which bears the same ratio to such amount as the qualified higher education expenses of the Beneficiary bear to the amount of the withdrawal). Qualified higher education expenses must be reduced for certain scholarships, educational assistance
allowances, and payments excludible from taxable income under federal law, and for the amount of expenses taken into account in determining the “Hope and Lifetime Learning Credits” allowed under federal income tax law. If an amount is also withdrawn from a Coverdell Education Savings Account (“ESA”) and the aggregate distributions from Section 529 Programs and ESAs exceed total qualified higher education expenses, the expenses must be allocated among such distributions for the purposes of determining the amount of exclusions from taxable income.

Pending guidance from the Service, it is unclear whether a withdrawal used to pay for qualified higher education expenses incurred or paid prior to the establishment of the Account will be treated as a Qualified Withdrawal. Pending guidance from the Service, it is also unclear whether a withdrawal taken after December 31st of the year in which the qualified higher education expenses were incurred and paid will be treated as a Qualified Withdrawal. You should consult with a qualified tax advisor regarding these issues.

Although the Service has not yet provided guidance on this issue, if amounts from a Qualified Withdrawal that were used to pay qualified higher education expenses are subsequently refunded in whole or in part to the Account Owner or the Beneficiary by the Eligible Educational Institution or other payee, the Account Owner may be required to include the earnings portion attributable to such refund in taxable income for federal income tax purposes and pay the additional 10% federal tax on such earnings. Such inclusion may not be required if the refunded amount is either reinvested in the Account or used to pay other qualified higher education expenses of the Beneficiary.

For any tax year on or after January 1, 2011, if money is withdrawn to pay for qualified higher education expenses of a Beneficiary (i.e., a Qualified Withdrawal), a portion of that distribution generally will be included in computing the taxable income of the Beneficiary for federal income tax purposes in the year in which the withdrawals are paid. There are two components to a Qualified Withdrawal: one component is return of principal, which will not be taxable; the other is a distribution of earnings, which will be includible in computing the taxable income of the Beneficiary. For a given calendar year, a pro rata portion of the total amount withdrawn will be considered a nontaxable return of principal, and the remainder will be considered a withdrawal of taxable earnings.

Non-Qualified Withdrawals. Under Section 529 of the Code, the earnings portion of withdrawals or distributions from an Account other than Qualified Withdrawals or withdrawals for transfers to an Account for another Beneficiary under the circumstances outlined under the caption “TAX MATTERS—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs” (i.e., Non-Qualified Withdrawals) are includible in computing income of the Account Owner for federal income tax purposes in the year in which the withdrawals are paid except for certain nontaxable transfers to an Account or another Section 529 Program as outlined in “Transfers between Accounts of Different Designated Beneficiaries or Different 529 Programs”. The computation of the portion of a Non-Qualified Withdrawal that is includible in the taxable income of the Account Owner is again made under a pro-rata allocation between a nontaxable return of principal and a taxable distribution of
earnings. If the withdrawal is subject to the penalty on Non-Qualified Withdrawals (discussed below) the amount to be included in computing the federal taxable income of the Account Owner will be the earnings portion of the amount withdrawn, reduced by the penalty.

In addition to the regular federal income tax imposed on Non-Qualified Withdrawals as described in the paragraph above, an additional 10% federal tax on the amount included in income for federal income tax purposes will also be imposed under the 2001 Tax Act. This additional tax will not apply to certain withdrawals made on or after the death of a Beneficiary, attributable to the Beneficiary’s being disabled, made on the account of certain scholarships or amounts that are Non-Qualified Withdrawals solely because of expenses that were taken into account in determining the “Hope and Lifetime Learning Credits” allowed under federal income tax law. Under Illinois law, the Treasurer has determined that the imposition of the additional 10% federal tax satisfies all state law requirements, and a separate penalty for Non-Qualified Withdrawals previously imposed prior to January 1, 2002, will no longer be applicable until January 1, 2011, although the Treasurer may impose a penalty for Non-Qualified Withdrawals to compensate the Trust for the payment of any early liquidation penalty relating to any Deposits.

In addition, for tax years on or after January 1, 2011, under Section 529 of the Code, the Program generally must impose a penalty on any Non-Qualified Withdrawal. Currently, that penalty is set at 10% of the earnings portion of the Non-Qualified Withdrawal and possibly any applicable penalty imposed by the Treasurer on the liquidation of Deposits. There are, however, exceptions to this penalty for: (i) withdrawals made on account of the death or disability of the Beneficiary; (ii) withdrawals made on account of a scholarship received by the Beneficiary, to the extent that the withdrawals do not exceed the amount of the scholarship; and (iii) non-taxable transfers to an Account or another Section 529 Program for another Beneficiary as outlined under the caption, “TAX MATTERS—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.” Any amounts collected as a result of this 10% penalty are paid to the Trust.

**Aggregation of Accounts.** All Accounts for the benefit of a single Beneficiary and having the same Account Owner must be treated as a single account for purposes of calculating the taxable earnings portion of each withdrawal (including any such accounts in other Illinois Section 529 savings plans). Thus, if more than one Account is created for a Beneficiary and having the same Account Owner and a Non-Qualified Withdrawal is made from one or more Accounts, the amount includible in taxable income must be calculated based upon the ratio of total earnings in all such Accounts to the total amount in such Accounts. The amount withdrawn from an Account may carry with it a greater or lesser amount of income than the earnings in that Account alone would justify, depending on the earnings in the other relevant Accounts or accounts. In the case of Non-Qualified Withdrawals and other distributions taxable to an Account Owner, this aggregation rule may result in the Account Owner being taxed on more or less income than that directly attributable to the particular Account from which the withdrawal was made. All calculations of the taxable
and nontaxable components will be made as of the close of the calendar year in which the withdrawal or withdrawals are made (or, in the case of withdrawals made after December 31, 2002, as of the date of withdrawal), and all withdrawals during the year will be treated as a single withdrawal.

**Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.** An Account Owner may change the Beneficiary of an Account, or may transfer (i.e., “rollover”) an amount from an Account to an Account for a different Beneficiary, or to an account for a different Beneficiary under another “qualified tuition program” (provided such rollover occurs within 60 days of the withdrawal) without the amount distributed having to be included at that time in the federal taxable income of the Account Owner or any Beneficiary and without any other additional tax or penalty on Non-Qualified Withdrawals, other than any applicable penalty imposed by the Treasurer on the early liquidation of Deposits, previously described in this Program Disclosure Statement. In order to qualify for this tax-free treatment, the newly designated Beneficiary must be a “member of the family” of the original Beneficiary as set forth in Section 152(d)(2), subparagraphs (A) through (G), and Section 529(e)(2) of the Code. Thus, the new Beneficiary must have one of the following relationships to the original Beneficiary: (i) a child (including a stepson or a stepdaughter and certain eligible foster children) or a descendent of a child; (ii) brother or sister; (iii) stepbrother or stepsister; (iv) father or mother, or an ancestor of either; (v) stepfather or stepmother; (vi) son or daughter of a brother or sister; (vii) brother or sister of the father or mother; or (viii) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law. The 2001 Tax Act expands the definition of “member of the family” to also include any first cousin of a Beneficiary (but not the spouse of a first cousin). A spouse of a family member described in (i) through (viii) above or the spouse of the Beneficiary also is considered a family member. For purposes of these rules, a legally adopted child is treated as a child by blood and the terms “brother” and “sister” include a brother or sister by halfblood. Pending further guidance from the Service, it is not clear whether a transfer to an Account for a newly designated Beneficiary who is a member of the family of the prior Beneficiary but not of the original Beneficiary will qualify for such tax-free treatment.

If there are other Accounts open for the benefit of the new Beneficiary, you may be limited in how much of your Account can be used for the new Beneficiary under the aggregate contribution limit.

If the new Beneficiary is a member of a younger generation than that of the original Beneficiary, a federal gift tax may apply and if the new Beneficiary is two or more generations younger than the current Beneficiary, a federal generation-skipping transfer tax may apply. This tax applies in the year in which the money is withdrawn from an Account or in which the Beneficiary is changed. Please consult with a qualified tax advisor regarding the possible application of these taxes.

In addition to the ability to transfer between accounts of certain different Beneficiaries without incurring a federal income tax liability as described above, the 2001 Tax Act provides that amounts will be able to be transferred to another qualified tuition program for the benefit of the same Beneficiary without the
imposition of federal income tax. This new provision will not apply to any transfer if such transfer occurs within twelve months from the date of a previous transfer to any Section 529 Program for the benefit of the same Beneficiary. A rollover to another Illinois Section 529 Plan for the same Beneficiary may not be subject to this rule. If not, such rollover would be subject to the investment change limits described in “Investment Options—General.”

Rollover amounts from another qualified tuition program generally retain their character as earnings and invested principal. Until the program receiving the rollover receives appropriate documentation showing the earnings portion, the receiving program will treat the entire amount of the rollover as earnings.

**Federal Gift and Estate Taxes.** Investments in Accounts are considered completed gifts for federal estate and gift tax purposes. Generally, if the Account Owner dies while there is still money in his or her Account, the value of the Account would not be included in the estate of the Account Owner (except in the situation described below relating to the gift tax election for investments exceeding $11,000 in any one year). However, amounts distributed on account of the death of a Beneficiary are included in the gross estate of that Beneficiary for federal estate tax purposes.

Account investments are potentially subject to federal gift tax payable by the contributing Account Owner. Generally, if the investments of an Account Owner in an Account or Accounts for a Beneficiary, together with all other gifts by the Account Owner to the Beneficiary, are $11,000 or less per year ($22,000 for a married individual who elects to split gifts with his or her spouse), no federal gift tax will be imposed on the Account Owner for gifts to the Beneficiary during that year.

If the investment of an Account Owner in an Account for a Beneficiary in a single year is greater than $11,000 ($22,000 in the case of a consenting married couple), the Account Owner may elect for federal gift tax purposes to treat the investments up to $55,000 ($110,000 in the case of a consenting married couple) as having been made ratably over a five-year period. However, if the Account Owner dies before the five-year period has elapsed, the portion of the investment allocable to years remaining in the five-year period (except for earnings on such investment) would be includible in the estate of the Account Owner for federal estate tax purposes. Please consult with a qualified tax advisor.

A withdrawal from an Account, a permissible change of the Beneficiary or a permissible transfer to an Account for another Beneficiary will not be subject to federal gift tax, except that such a change or transfer will potentially be subject to gift tax if the new Beneficiary is of a younger generation than the Beneficiary being replaced and will potentially be subject to the generation-skipping transfer tax if the new Beneficiary is two or more generations younger than the Beneficiary being replaced.

Because investments in an Account are treated as completed gifts for federal transfer tax purposes, you may also need to be concerned about the generation-skipping transfer tax for yourself or the Beneficiary. This tax may apply to investments in excess of the amount that may be elected to be ratably spread
over the five-year period discussed above if the Beneficiary is deemed to be a member of a generation that is two or more generations younger than the generation of the Account Owner. In addition, as noted above, if a change is made in the Beneficiary designated as beneficiary such that the new Beneficiary is two or more generations younger than is the original Beneficiary, the generation-skipping transfer tax may also be triggered. Please consult with a qualified tax advisor.

Generally, taxpayers are eligible for a $1,000,000 generation-skipping transfer tax exemption (indexed for inflation) that will be allocated to transfers that are subject to the generation-skipping transfer tax. Accordingly, this tax is unlikely to apply to many Account Owners and Beneficiaries. However, where it applies, it is imposed at the highest estate tax.

For decedents dying in years beginning on or after January 1, 2002, and before January 1, 2010, the 2001 Tax Act phases out the federal estate tax by gradually reducing the top estate tax rate and at the same time increasing the applicable exclusion amount for the estate tax. The 2001 Tax Act repeals the federal estate tax for decedents dying in the year 2010.

The 2001 Tax Act also phases out the federal generation-skipping transfer tax by gradually reducing the applicable rate for transfers after December 31, 2001, and before January 1, 2010, and by changing the generation-skipping transfer tax exemption for transfers after December 31, 2003. For transfers after December 31, 2003, the generation-skipping transfer tax exemption will be equal to the estate tax applicable exclusion amount, which will be increased through the year 2009. For transfers before January 1, 2004, the current generation-skipping transfer tax exemption will remain in effect (which is $1,000,000 indexed for inflation). The 2001 Tax Act repeals the generation-skipping transfer tax for taxable transfers occurring in the year 2010.

Coverdell Education Savings Accounts (“ESAs”). The 2001 Tax Act permits contributions to be made to both Section 529 Programs and ESAs in the same year on behalf of the same beneficiary, but also requires coordination of the tax benefits available for distributions from Section 529 Programs and ESAs when distributions are made from both types of programs in the same year, as described in “TAX MATTERS—Qualified Withdrawals.” The 2001 Tax Act also increases the maximum amount that may be contributed to ESAs from $500 to $2,000, and eliminates the 6% penalty that applies when amounts are contributed to Section 529 Programs and ESAs in the same year for the same Beneficiary. The 2001 Tax Act also provides that the earnings portion of any amount rolled over to a Section 529 Program from an ESA is not treated as a contribution for the purposes of determining the earnings portion of any withdrawal from the Section 529 Program, and therefore will be treated as earnings with respect to the Account. Until the Program receives appropriate documentation showing the earnings portion of the amount rolled over, the Program will treat the entire amount of the rollover as earnings. However, a distribution from the Program that is invested in an ESA will be treated as a Non-Qualified Withdrawal. For tax years on and after January 1, 2011, certain individuals may make contributions of up to $500 per year to ESAs. ESAs permit deferral of federal income tax liability, and possible exclusion from gross income for earnings, in such ESAs. If
amounts are contributed to an Account (or Accounts), to any other account (or accounts) under any other Section 529 Program and to an ESA for the same Beneficiary during the same year, the contribution to the ESA will be subject to a penalty of 6% of the amount contributed during that year. However, the excise tax will not apply if the amount of the investment and any earnings thereon are distributed out of the ESA on or before the day prescribed by law for filing the Beneficiary return for that taxable year.

**Series EE and I Bonds**—Interest on Series EE Savings Bonds issued January 1990 and later, as well as interest on all Series I Savings Bonds, may be completely or partially excluded from federal income tax if bond proceeds are used to pay certain qualified higher education expenses at an Eligible Educational Institution or, under the 2001 Tax Act, are contributed to an Account in the same calendar year the bonds are redeemed. For this purpose, qualifying expenses do not include the cost of books, room and board. The amount of qualified higher education expenses taken into account in calculating the interest excludable from income is reduced by scholarships, fellowships, payments or reimbursements of expenses under a qualified tuition program and certain other forms of tuition assistance. Certain limitations apply and the Beneficiary must have a specified relationship with the Account Owner. Provided appropriate documentation is furnished to the Program, the original purchase price of the bonds redeemed and contributed to an Account will be added to the contribution portion of the Account, with the interest added to earnings. Until the Program receives appropriate documentation showing the interest paid on the bonds, the Program will treat the entire contributed amount as earnings.

**HOPE Scholarship and Lifetime Learning Credits.** Subject to certain restrictions and limitations, some of the amounts withdrawn from an Account and used for qualified higher education expenses of a Beneficiary may be available as a credit against the federal income tax liability of the Beneficiary (or of a person who can claim the Beneficiary as a dependent) under the federal income tax provisions governing the HOPE Scholarship Credit or Lifetime Learning Credit. Under these provisions, in certain circumstances the taxpayer may qualify for a credit for limited amounts expended for tuition and some types of fees required for enrollment or attendance by the taxpayer or the taxpayer’s spouse or dependent at an Institution of Higher Education. You should consult your tax advisor regarding the availability of these credits.

**Tax Deduction for Education Expenses.** The 2001 Tax Act provides a new deduction for certain payments of tuition and related expenses by taxpayers who fall within certain income limits. The amount of any such deduction will be reduced for certain other federal tax benefits, including a reduction by the amounts of distributions from a Section 529 Program excluded from federal taxable income.

**Effect on Other Federal Tax Benefits.** Under certain circumstances, the interest paid with respect to a loan used to fund eligible education expenses is deductible for federal income tax purposes. The 2001 Tax Act provides that, to the extent that withdrawals are made from a Section 529 Program to pay eligible education expenses, the amount of such expenses is not eligible for a loan, the
interest on which is otherwise deductible for federal income tax purposes. Under certain circumstances, the interest on United States savings bonds used to pay higher education expenses may be excluded from taxable income for federal income tax purposes. The 2001 Tax Act also provides that, to the extent withdrawals are made from a Section 529 Program for higher education expenses, such expenses cannot also be treated as paid with United States savings bonds for purposes of this exclusion.

**State of Illinois Income Tax Consequences.** Legislation governing the tax treatment of the Accounts was passed by the Illinois General Assembly in 2000, and became effective as of January 1, 2001. Illinois law provides that, effective January 1, 2001, the assets of the Program and its income are exempt from all taxation by the State of Illinois and any of its subdivisions and that the accrued earnings on investments in the Program disbursed on behalf of a Beneficiary are exempt from all taxation by the State of Illinois and its subdivisions, so long as they are used for qualified higher education expenses. You should consult your tax advisor regarding the Illinois state income tax treatment of investments under the Program.

For tax years beginning on or after January 1, 2002, an individual may deduct from his or her taxable income for purposes of the Illinois State income tax all or a portion of the moneys contributed in the taxable year to the Program. For tax years beginning on or after January 1, 2005, the Illinois State income tax deduction is limited. For such tax years, individuals who file individual Illinois state income tax returns will be able to deduct up to $10,000 per tax year for their total, combined contributions to the Program and to College Illinois! during that tax year. The Illinois Department of Revenue has stated, in informal advice that is not binding on the Department of Revenue, that (i) a deduction of up to $20,000 will be permitted for married taxpayers filing joint Illinois State income tax returns for their total, combined contributions to the Program and to College Illinois! during that tax year, and (ii) the $10,000 (individual) and $20,000 (joint) limitations on deductions will apply to the total contributions made to Bright Start and College Illinois! without regard to whether the contributions are made to a single account or more than one account. A contribution must be post-marked no later than December 31st of a tax year in order to be eligible to be deducted with respect to such tax year. The Illinois Department of Revenue has stated (in a non-binding general information letter) that the state income tax deduction is available to individuals other than the Account Owner who contribute to an Account. The deduction for Illinois individual income tax purposes for contributions to the Program does not apply to amounts excluded from federal gross income under the provisions discussed under the “Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs” portion of the “Tax Matters” section of the Program Disclosure Statement, such as rollovers from other qualified tuition programs. This provision is effective for taxable years beginning on or after January 1, 2002. The Illinois Department of Revenue has stated (in informal guidance that is not binding on the Department) that in the case of such a rollover, the amount of the rollover that is treated as a return of the original contribution to the old plan (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes.
FEES AND EXPENSES

Certain expenses will reduce the value of an Account. Currently, these expenses include the fees payable under the Services Agreement. Under the Services Agreement, the Manager receives, as its total compensation, an amount equal to a charge against the assets of the Trust at an annual rate of 0.99% of the average daily balance of the net assets of the Trust. The fee is payable monthly solely from earnings of the Program, and includes the fees and expenses charged by the Funds in which the Portfolios invest. In the event that earnings of the Program are insufficient to pay such fee on any date, such fee will accrue until earnings are sufficient to pay such fee. The payment of such fee may affect the investment return of any Portfolio. The Manager pays, out of the fees it receives from the Trust, all of its direct and indirect costs and expenses for providing services to the Portfolios. Account Owners pay no fee or sales load in connection with the purchase by the Portfolios of the underlying Funds. As noted above, the 0.99% annual service fee payable to the Manager out of the assets of the Trust includes the fees and expenses charged by the Funds in which the Portfolios invest, including Funds managed by entities affiliated with the Manager and Funds managed by entities unaffiliated with the Manager. In the case of Trust assets invested in a Fund managed by an entity unaffiliated with the Manager, the Manager may receive and retain annual fees with respect to such assets from the adviser or distributor of such Fund in an amount up to 0.35% of such invested assets. Such fee arrangements are designed to help offset the Manager’s expenses associated with maintaining an investment in such Fund on behalf of the Trust, but such arrangements have no impact on the fees that are charged against the assets of the Trust.

In addition, Account Owners may be subject to certain fees. The financial institution through which you open your Account may charge a new Account processing fee of up to $30, which maximum fee will be adjusted annually by the Treasurer in accordance with the Act and applicable regulations. Some financial institutions may choose not to charge such a fee. You should inquire of your financial institution whether or not it is charging such a fee, and, if so, the amount of such fee. Returned checks will incur a $15 charge. The Manager may impose a fee for amounts transferred pursuant to a withdrawal by wire from an Account up to $25 per wire transfer. Under applicable rules and regulations promulgated by the Treasurer, the Treasurer may also impose a penalty on Account Owners for Non-Qualified Withdrawals from Accounts invested in Portfolios with Deposits to compensate the Trust for any liquidation penalty.

Each Portfolio bears its own expenses which are reflected in the daily net asset value of a Portfolio and consist of the Portfolio’s portion of the fees paid to the Manager. Note that the fees and expenses under the Program are subject to change, and new fees may be imposed in the future. A Portfolio, and Accounts invested in such Portfolio, may bear certain fees and costs associated with the redemption of shares of a Fund by such Portfolio, as described in “Fees and Costs Associated with Fund Changes.”
The fees and expenses applicable to an investment in the Program are outlined in the chart below.

**OVERVIEW OF ACCOUNT OWNER COSTS**

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<th>Annual Asset–Based Fees</th>
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**FEE EXAMPLES**

The chart below shows the costs of investing in the Program over various time periods. Your actual costs may be higher or lower. The examples assume:

- A $10,000 investment invested for the time periods shown.
- A 5% annually compounded rate of return on the net amount invested throughout the period.
- Except to the extent indicated, all Units 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 the redemption).
- Total annual asset-based fees remain the same as those shown in the table under “Overview of Account Owner Costs” above.

**ESTIMATED INVESTMENT COSTS**

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<th>Number of Years You Own Your Units</th>
<th>1 Year</th>
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**POSSIBLE ADDITIONAL FEES**

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<tr>
<td>Returned Checks</td>
<td>$15</td>
</tr>
<tr>
<td>Wire Transfer Fee (Withdrawals)</td>
<td>$25</td>
</tr>
</tbody>
</table>

**Fees Arrangements with Certain Funds.** As noted in “Description of the Funds,” the Manager may receive and retain fees with respect to Trust assets invested in a Fund managed by an entity unaffiliated with the Manager from such Fund or the adviser or distributor of such Fund in an amount up to 0.35% of such invested assets. Such fee arrangements are designed to help offset the
Manager’s expenses associated with maintaining an investment in the Fund on behalf of the Trust and may be a factor considered by the Manager in recommending Funds and the share class of such Funds in which to invest the assets of the Portfolios, but such arrangements have no impact on the fees that are charged against the assets of the Trust. Such fee arrangements may present the Manager with a conflict of interest in recommending Funds and the percentage of a Portfolio’s assets that will be invested in each Fund. Notwithstanding the foregoing, the Manager’s ability to recommend investment of Portfolio assets in such Funds is restricted by the Services Agreement (see “Investment Options” above). Moreover, the Manager is subject to, and intends to comply with, standards of fiduciary duty when investing Portfolio assets.

**Fees and Costs Associated with Fund Changes.** During the transition from investment in one Fund to investment in another Fund with respect to a particular asset class, a Portfolio may temporarily hold a basket of securities to the extent that the Fund from which it redeems chooses to satisfy the Portfolio’s redemption out of such Fund on an in kind basis. In such event, the Manager will seek to liquidate the securities received from the fund as promptly as practicable so that the proceeds can be promptly invested in the replacement Fund. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. A Fund from which a Portfolio redeems may impose redemption fees with respect to shares in such Fund that were held by the Portfolio for a short period of time (typically 60 days or less). In such event, the Portfolio, and Accounts invested in such Portfolio, will bear such redemption fees.

**EXEMPTIONS FROM REGISTRATION**

Interests in the Trust have not been registered as securities under the Securities Act of 1933, as amended, pursuant to an exemption from registration available for obligations issued by a public instrumentality of a state. Similarly, interests in the Trust have not been registered with the securities commissions of any state where applicable exemptions from registration are available. Neither the Trust nor the Portfolios have been registered as investment companies under the Investment Company Act of 1940, as amended, since the provisions of that Act exclude from registration any instrumentality of a state.

**CONTINUING DISCLOSURE**

Under Rule 15c2-12(b)(5) (the “Rule”) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), certain information must be provided to Account Owners on a periodic basis. To comply with this Rule, the Treasurer has executed a Continuing Disclosure Undertaking for the benefit of Account Owners (the “Undertaking”). Under the Undertaking, certain financial information and operating data relating to the Trust will be provided to appropriate parties, as will notices of the occurrence of certain events identified in the Undertaking, if material. The information which will be filed on an annual
basis, the events which will be filed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, is set forth below under “CONTINUING DISCLOSURE UNDERTAKING.”

Other than the Undertaking, the Treasurer had not previously entered into a continuing disclosure undertaking pursuant to the Rule although the Treasurer has represented that it has been in compliance with the Undertaking since entering into the Undertaking in 2000. A failure by the Treasurer to comply with the Undertaking will not constitute a default under the Participation Agreement, and Account Owners are limited to the remedies described in the Undertaking. See “CONTINUING DISCLOSURE UNDERTAKING—Consequences of Failure of the Treasurer to Provide Information.”

CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Treasurer and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available from the Treasurer upon request.

Financial Information Disclosure. The Treasurer covenants that he or she or a dissemination agent will disseminate its Financial Information (as described below) upon written request to any person or at least annually to the Nationally Recognized Municipal Securities Information Repositories (“NRMSIR”) and the State Information Depository (“SID”), if any.

“Financial Information” means financial information or operating data with respect to the Trust, including “INVESTMENT OPTIONS,” “PERFORMANCE OF THE FUNDS,” “CONTRIBUTIONS” and “FEES AND EXPENSES,” and annual financial statements for the Trust, prepared in accordance with generally accepted accounting principals, audited by a firm of independent certified public accountants.

Material Events Disclosure. The Treasurer covenants that he or she or a dissemination agent will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the “MSRB”) and to the SID, if any, in a timely manner the disclosure of any failure of the Treasurer to timely disseminate the Financial Information, and the occurrence of an Event (as described below) with respect to the Trust that is material, as materiality is interpreted under the Exchange Act. The “Events” are:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
• Adverse tax opinions or events affecting the tax-exempt status of the security
• Modifications to the rights of security holders
• Bond calls
• Defeasances
• Release, substitution or sale of property securing repayment of the securities
• Rating changes

Certain Events may not be applicable to the Program.

**Contact Person.** Financial Information and notices of material Events can be obtained from: State Treasurer, State of Illinois, 100 West Randolph Street, Suite 15-600, Chicago, Illinois 60601, Attention: Chief Legal Counsel.

**Consequences of Failure of the Treasurer to Provide Information.** In the event of a failure of the Treasurer to comply with any provision of the Undertaking, an Account Owner may seek mandamus or specific performance by court order to cause the Treasurer to comply with his or her obligations under the Undertaking. A default under the Undertaking shall not be deemed an event of default under the Participation Agreement, and the sole remedy under the Undertaking in the event of any failure of the Treasurer to comply with the Undertaking shall be an action to compel performance.

**Amendment; Waiver.** Notwithstanding any other provision of the Undertaking, the Treasurer, may amend the Undertaking, and any provision of the Undertaking may be waived, if the amendment or the waiver is consistent with the Rule, as determined by counsel experienced in federal securities law selected by the Treasurer.

**Termination of Undertaking.** The Undertaking shall be terminated if (a) no Accounts remain in the Trust, (b) the Treasurer shall no longer administer the Trust, or (c) the portions of the Rule requiring the Undertaking no longer apply to the Trust. The Treasurer shall give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this paragraph is applicable.

**Additional Information.** Nothing in the Undertaking shall be deemed to prevent the Treasurer or any dissemination agent from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Financial Information or notice of the occurrence of a material Event, in addition to that which is required by the Undertaking. If the Treasurer or any dissemination agent chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the Treasurer or any dissemination agent shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.
Dissemination Agent. The Treasurer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The Treasurer has initially appointed the Manager as dissemination agent.

MANAGEMENT AND OTHER SERVICE PROVIDERS

Portfolio Investment. The Manager, acting through its Smith Barney Asset Management Division, at the direction of the Treasurer, will invest Portfolio assets in accordance with the Policy Statement. As of the date of this Program Disclosure Statement, it is anticipated that the Manager will concentrate Portfolio investments in shares of the Funds and Deposits (if applicable), subject to the overall supervision of the Treasurer (including the Policy Statement). In investing the Portfolio assets and performing its other services with respect to the Program, the Manager acts in a fiduciary capacity with respect to the Program. The Manager is located at 100 First Stamford Place, Stamford, Connecticut 06902, and is an indirect, wholly-owned subsidiary of Citigroup Inc.

Funds Investment Advisers. The investment adviser to each Smith Barney Fund (except the Smith Barney Small Cap Core Fund) is Smith Barney Fund Management LLC (“SBFM”), formerly known as SSB Citi Fund Management LLC, an affiliate of the Manager. SBFM’s address is 100 First Stamford Place, Stamford, Connecticut 06902. CAM Limited, located at Citigroup Centre, London Square, Canary Wharf, London E14 SLB, United Kingdom, serves as investment sub-adviser to the Smith Barney Core Plus Bond Fund and manages such fund’s assets invested in non-U.S. dollar denominated debt securities of non-U.S. issuers and engages in currency transactions for the fund, and also is an affiliate of the Manager. SBFM and CAM Limited are both indirect, wholly-owned subsidiaries of Citigroup Inc.

The investment advisor to the Salomon Brothers Investors Value Fund is Salomon Brothers Asset Management Inc. Its address is 399 Park Avenue, New York, New York 10022. Salomon Brothers Asset Management Inc is an indirect, wholly-owned subsidiary of Citigroup Inc.

The Manager, SBFM and CAM Limited are part of Citigroup Asset Management (“CAM”). CAM is a Citigroup business unit that provides asset management services to a wide range of institutional and individual clients.

The investment advisor to the Oppenheimer Main Street Fund® is OppenheimerFunds, Inc. Its address is Two World Financial Center, 225 Liberty Street, 11th Floor, New York, NY 10281-1008.

The investment advisor to the MFS Institutional Research Equity Fund is MFS. Its address is 500 Boylston Street, Boston, MA 02116. MFS provides investment management and related administrative services to the fund.
Recent Developments Concerning Citigroup Asset Management

In connection with an investigation previously disclosed by Citigroup, the Staff of the Securities and Exchange Commission (SEC) has notified Citigroup Asset Management (\textquotedblleft CAM\textquotedblright), the Citigroup business unit that includes the funds\textquoteleft investment manager and other investment advisory companies; Citicorp Trust Bank (\textquotedblleft CTB\textquotedblright), an affiliate of CAM; Thomas W. Jones, the former CEO of CAM; and three other individuals, one of whom is an employee and two of whom are former employees of CAM, that the SEC Staff is considering recommending a civil injunctive action and/or an administrative proceeding against each of them relating to the creation and operation of an internal transfer agent unit to serve various CAM-managed funds.

In 1999, CTB entered the transfer agent business. CTB hired an unaffiliated subcontractor to perform some of the transfer agent services. The subcontractor, in exchange, had signed a separate agreement with CAM in 1998 that guaranteed investment management revenue to CAM and investment banking revenue to a CAM affiliate. The subcontractor\textquoteleft s business was later taken over by PFPC Inc., and at that time the revenue guarantee was eliminated and a one-time payment was made by the subcontractor to a CAM affiliate.

CAM did not disclose the revenue guarantee when the boards of various CAM-managed funds hired CTB as transfer agent. Nor did CAM disclose to the boards of the various CAM-managed funds the one-time payment received by the CAM affiliate when it was made. As previously disclosed, CAM has already paid the applicable funds, primarily through fee waivers, a total of approximately $17 million (plus interest) that is the amount of the revenue received by Citigroup relating to the revenue guarantee.

In addition, the SEC Staff has indicated that it is considering recommending action based on the adequacy of the disclosures made to the fund boards that approved the transfer agency arrangement, CAM\textquoteleft s initiation and operation of, and compensation for, the transfer agent business and CAM\textquoteleft s retention of, and agreements with, the subcontractor.

Citigroup is cooperating fully in the SEC\textquoteleft s investigation and is seeking to resolve the matter in discussions with the SEC staff. On January 20, 2005, Citigroup stated that it had established an aggregate reserve of $196 million ($25 million in the third quarter of 2004 and $171 million in the fourth quarter of 2004) related to its discussions with the SEC Staff. Settlement negotiations are ongoing and any settlement of this matter with the SEC will require approval by the Citigroup Board and acceptance by the Commission.

Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the funds, on the Trust\textquoteleft s interest in the applicable Funds, on an Account Owner\textquoteleft s interest in the Trust, or on the Manager\textquoteleft s ability to perform its services with respect to the Program.

Sales of Interests in the Trust. Under the Services Agreement, the Manager is authorized to market and sell interests in the Trust. The Manager combines its expertise with the marketing, distribution and administrative capabilities of its
affiliates to manage the marketing and sale of interests in the Trust. The Manager’s registered representatives (referred to as Financial Consultants) generally receive compensation from the Manager with respect to the sale of interests in the Trust. The Manager provides marketing and records administration services required under the Services Agreement. The Manager is a broker-dealer registered with the National Association of Securities Dealers, Inc. The Manager serves retail investors nationwide through its extensive network of branch offices and financial consultants, and provides a broad range of financial products, investment management services and advisory services to its clients. In addition, affiliates of the Manager may market and sell interests in the Trust. Such affiliates generally will be compensated by the Manager.

**Third-Party Selling Agents.** From time to time, interests in the Trust may be sold to investors through third-party selling agents that are not affiliated with the Manager. Such third-party selling agents generally will be compensated by the Manager with respect to the sale of interests in the Trust. The Manager may enter into third-party selling agreements, to the extent deemed beneficial to the Program. In all cases, the opening of an Account must be processed through a qualified participating financial institution.

**Accounts.** Each Account will be established for a single Beneficiary as a separate Account in the Trust. Each Account Owner will receive a quarterly statement detailing contributions, distributions, total value and investments made under the Program.

**Administrative Services.** Under the Services Agreement, the Manager or its designee performs certain administrative services to the Program including, but not limited to: (i) accepting and processing initial and subsequent contributions to Accounts; (ii) maintaining adequate records of Account balances; (iii) compiling, preparing and delivering to the Treasurer and Account Owners financial information, reports and statements; (iv) accepting and processing requests for distributions and withdrawal requests; (v) responding to client inquiries and maintaining a customer service call center for such purposes; (vi) tax reporting; and (vii) maintaining certain records and data bases.

Under the Services Agreement, the Manager may subcontract for the performance of services required to be performed by the Manager with the prior written consent of the Treasurer. The Manager has subcontracted with Boston Financial Data Services, Inc. to perform certain of the foregoing administrative services with respect to certain Accounts established under the Program.

**Auditors for the Trust.** Each year, an independent public accountant selected by the Manager will audit the Trust. The auditors will examine financial statements for the Trust and provide other audit, tax, and related services. The Treasurer and the Illinois Auditor General may also conduct audits of the Trust.
The Treasurer. The Treasurer is a Constitutional officer of the State, who is elected by the people of the State to serve four-year terms. The current Treasurer, Judy Baar Topinka, served her first term from 1995 to 1999, and is currently serving her third consecutive term from 2003 to the present. Under the Act, the Treasurer has the authority to establish and administer the Program. The Treasurer has established and administers the Program in accordance with the Act, and generally oversees the activities of the Manager in providing services for the Program. The Treasurer acts in a fiduciary capacity with respect to the Program and the Trust.

Other Investment Programs. There are options other than the Program for saving for the expenses of attending an Eligible Educational Institution, including College Illinois!. You may call toll free 1-877-877-3724 or see the ISAC website at www.collegeillinois.com for more information.

Coverdell Education Savings Accounts (“ESAs”) are another way to pre-fund college expenses on a tax-favored basis. However, unlike the Program, there are income limits applicable to eligibility for ESAs. Distributions are tax-free if used for qualified K-12 and college expenses.

Each savings plan has its own eligibility requirements and tax benefits. You should determine the interaction between these plans if you intend to use more than one, since there may be limitations. Generally, you are not permitted to use the same educational expense for computing benefits from more than one such plan.

Right to Employ Other Citigroup Companies. The Manager may use the services of other companies in the Citigroup family of companies, subject to the limitations set forth in the Services Agreement and the Act.

Arbitration. All controversies that may arise between you or the Beneficiary and the Manager involving your Account(s) will be determined by arbitration in lieu of court proceedings. Any controversies that may arise between you or the Beneficiary and the Treasurer involving any transaction in your Account(s), or the construction, performance or breach of the Participation Agreement that you execute in connection with the Program may be determined by arbitration or court proceedings, as determined by the Treasurer in its sole discretion.

How to Contact Us. Please call toll free 1-877-43-BRIGHT (1-877-432-7444) to speak with a Program representative if you have questions about the Program or would like additional information about the Program, or you can speak with your financial professional. You also can visit the Program website at www.brightstartssavings.com for more information about the Program or to download forms described in this Program Disclosure Statement.
APPENDIX A

QUESTIONS AND ANSWERS

The following are some of the frequently asked questions concerning the Program. You should read the entire Program Disclosure Statement before investing in the Program.

PARTICIPATION IN THE PROGRAM

Who can participate in the Program?

Parents, grandparents, other relatives or friends of the Beneficiary. Local governments, not-for-profit organizations, corporations, trusts and partnerships also can participate.

Can I open an Account for myself?

Yes. You can establish an Account for yourself and invest on your own behalf.

Is there any age limit to participate?

There is no limit on your age or the age of the Beneficiary to participate in, or benefit from, the Program. If the Account Owner is a minor, his or her parent or legal guardian will need to consent to the participation of the minor in the Program by signing the Account Application.

How do I participate?

You can participate by opening an individual Account established and maintained as part of the Trust. The Manager will open your Account when it receives your completed and signed Bright Start® College Savings Program Account Application. The Account Application incorporates the Participation Agreement between you and the Treasurer. By signing the Account Application, you are entering into and agreeing to the Participation Agreement.

What if I do not live in Illinois?

As long as you reside anywhere in the United States of America, you can participate in and receive benefits (other than Illinois state tax benefits, if any) from the Program.

Section 529 programs offered by states other than the State may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the Program. Taxpayers and residents of states other than the State should consider such state tax treatment and other benefits, if any, before making an investment decision.
GENERAL ACCOUNT ISSUES

Can I set up a joint Account with someone else?

No. Only one person or entity can be identified as the Account Owner.

Can I designate two Beneficiaries as joint beneficiaries on a single Account?

No. Only one person can be designated as the Beneficiary of each Account.

Can I open multiple Accounts for the same Beneficiary?

Yes. You can open multiple Accounts, each having a different investment option, for the same Beneficiary. All Accounts for the same Beneficiary and all accounts for such Beneficiary under all other Illinois Section 529 Programs will be aggregated for purposes of the aggregate balance limit, as described in “How much can I put into my Accounts?” under “Contributions to the Program.”

Who can change the Beneficiary of an Account?

Only the Account Owner can change the Beneficiary of an Account.

How do I find out the amount of my Account balance?

Call the Manager toll-free at 1-877-43-BRIGHT (1-877-432-7444), visit the website for the Program at www.brightstartsavings.com or contact your financial professional. The Manager will send to you an Account statement quarterly with a description of your Account activity and the value of your Account. You also will receive an investment confirmation whenever you make a contribution.

Can I use the money in my Account for a loan or as collateral/security for a loan?

No. The Trust will not make any loans, either to you or the Beneficiary. Amounts invested in your Account may not be pledged, assigned, or otherwise used as collateral or security for a loan.

Can the terms of my Participation Agreement change?

The Treasurer may, at any time, and from time to time, amend the Participation Agreement, upon giving written notice to you. The Treasurer may also terminate the Program and the Trust, if the Treasurer determines that the Program and the Trust will no longer be economically feasible, by giving written notice of such action to Account Owners.

CONTRIBUTIONS TO THE PROGRAM

How do I contribute to my Account?

To contribute to an Account, send a check, money order or electronic transfer to the financial institution where you open your Account or the Manager. You may
also contribute through your employer offers this option. Your contributions must be denominated in United States dollars. Checks must be drawn on a U.S. bank, and should be made payable to “Bright Start.” Third party checks will only be accepted at the Manager’s discretion. You may not charge contributions to your credit card.

**Can I contribute stocks, bonds or other property that I own to my Account?**

No. The law governing the Program requires that all contributions be in cash. Checks, money orders and electronic transfers are considered to be cash for this purpose.

**Am I the only one who can contribute money to my Account?**

No. Anyone may make a contribution to your Account. However, any contribution to the Account may have gift or other tax consequences to the contributor or the Account Owner. Anyone making such a contribution, other than the Account Owner, to an Account will forfeit any rights to such contributions. For purposes of withdrawals from the Account, changes in Beneficiary and all other Account–related purposes, only the Account Owner may give directions regarding the Account.

**Is there a minimum amount needed to open an Account?**

The minimum amount you need to open an Account is $25. The minimum amount for subsequent contributions, whether by check, money order or electronic transfer, is $15. In the case of contributions by electronic transfer to an Account established pursuant to corporate and other employer relationships, there is no minimum initial or subsequent contribution. The Manager may waive or vary such minimums for one or more Accounts in its sole discretion.

**How much can I put into my Account?**

The federal income tax laws require that a limit be placed on the aggregate amount that can be contributed to an Account or Accounts, together with other accounts in Section 529 Programs established or maintained by the State of Illinois. Currently, under the Program, the aggregate balance limit for Accounts under the Program and accounts under all other Section 529 Programs established or maintained by the State of Illinois, including College Illinois!, for the same Beneficiary is $235,000. The limit may be adjusted in the future, and you will be notified of any changes in the limit. This means that no additional contributions (including rollover contributions) may be made to your Account if the aggregate balance limit is reached. Additional contributions (including rollover contributions) to an Account will not be accepted or will be returned once the aggregate balance limit is reached. You may resume making contributions if the aggregate balance in your Account and accounts under all other Illinois Section 529 Programs for the same Beneficiary falls below $235,000.
Can I contribute assets of a UTMA/UGMA into my Account?

Yes. If you are the custodian for a Beneficiary, you may elect to place part or all of the UTMA/UGMA assets into an Account. The conversion of non-cash UTMA/UGMA assets to cash for a contribution to an Account will be a taxable transaction. Note that while the Beneficiary is a minor, the Beneficiary of the Account cannot be changed, and there can be no Non-Qualified Withdrawals other than for the benefit of the Beneficiary in accordance with the terms governing the UTMA/UGMA. Also, when the Beneficiary reaches the age of majority, he or she will become the sole Account Owner with complete control over the Account.

Can a married couple put in double the usual amount?

No. Aggregate contributions for each Beneficiary cannot be made such that the aggregate Account balances and account balances under other Section 529 Programs established or maintained by the State of Illinois for the same Beneficiary exceed $235,000 from all sources.

WITHDRAWALS

What are Eligible Educational Institutions?

They are schools eligible to participate in certain Department of Education student aid programs under the Higher Education Act (as in effect on August 5, 1997). They include most community colleges, public and private 4-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools.

Does the Beneficiary have to go to an Eligible Educational Institution in Illinois to benefit?

No. You get the full benefits from the Program if the Beneficiary attends any Eligible Educational Institution.

What can Account assets be used for?

Assets of an Account can be used to pay for “qualified higher education expenses,” including required tuition, fees, books, supplies, equipment and (subject to certain limitations) room and board expenses.

Can Account assets be used for part-time students?

Yes. The qualified higher education expenses of a Beneficiary (other than room and board) may be paid with Account assets even if the Beneficiary attends an Eligible Educational Institution less than half time. A Beneficiary must attend at least half time for any portion of his or her room and board expenses to be qualified higher education expenses.
How do I pay for qualified higher education expenses with my Account?

You make a withdrawal by signing a Withdrawal Form instructing the Manager to send a check to you, the Beneficiary or the Beneficiary’s Eligible Educational Institution.

When can I take money out of the Account?

You can withdraw money at any time, subject to any applicable taxes, including, if applicable, an additional 10% federal tax. There is no specific length of time that contributions must remain in an Account before you can request a withdrawal.

What are Qualified Withdrawals?

Withdrawals used to pay for qualified higher education expenses of the Beneficiary of your Account are considered Qualified Withdrawals.

What are Non-Qualified Withdrawals?

All withdrawals other than Qualified Withdrawals are Non-Qualified Withdrawals, except as described below, and may be subject to penalty and adverse tax consequences as described in the Program Disclosure Statement.

Will I have to pay tax or penalty on withdrawals from my Account?

The 2001 Tax Act provides that on and after January 1, 2002, the earnings portion of Qualified Withdrawals is not taxable to the Beneficiary. The earnings portion of Non-Qualified Withdrawals is taxable at ordinary income tax rates, except for: (i) a non-taxable transfer to an Account or another Section 529 Program for the benefit of certain family members of the original Beneficiary, and (ii) certain non-taxable transfers to another Section 529 Program for the same Beneficiary. In addition, an additional 10% federal tax is imposed on the earnings portion of Non-Qualified Withdrawals, unless the withdrawal satisfies one of the limited exceptions to the additional tax, and a penalty may be imposed by the Treasurer for Non-Qualified Withdrawals to compensate the Trust for the payment of any early liquidation penalty relating to any Deposits. Note that any earnings on Account investments will be reduced by the amount of this penalty (if applicable) before such earnings are taxed.

The provisions of the 2001 Tax Act will cease to apply for any tax year beginning on or after January 1, 2011 unless such provisions are extended by Congress. For any tax year beginning on or after January 1, 2011, the earnings portion of Qualified Withdrawals will be taxable to the Beneficiary for federal income tax purposes. In addition, a Program-imposed penalty of 10% of the earnings portion of Non-Qualified Withdrawals will replace the additional 10% federal tax that currently applies to Non-Qualified Withdrawals.

Prior to January 1, 2001, there was some ambiguity as to whether earnings on any Account may be subject to State of Illinois income taxes. Legislation in the State of Illinois which became effective January 1, 2001, exempts earnings and
Qualified Withdrawals from State of Illinois income taxes. You should consult your tax advisor about the current status of Illinois income taxes and other state or local taxes that may apply to your Account.

**What are the exceptions to the additional 10% federal tax for Non-Qualified Withdrawals?**

The exceptions to the additional 10% federal tax for the following Non-Qualified Withdrawals: (i) withdrawals made on account of the death or disability of the Beneficiary; (ii) withdrawals made on account of a scholarship received by the Beneficiary, to the extent that the withdrawals do not exceed the amount of the scholarship; (iii) until January 1, 2011, amounts that are Non-Qualified Withdrawals solely because of expenses that were taken into account in determining the “Hope and Lifetime Learning Credits” allowed under federal income tax law; and (iv) a non-taxable transfer to an Account or another Section 529 Program for the benefit of the same Beneficiary or certain family members of the original Beneficiary. Non-Qualified Withdrawals that qualify for an exception to the additional 10% federal tax, other than non-taxable transfers to an Account or other Section 529 Program for another Beneficiary, are still subject to applicable federal and state income tax.

**What if I make a Non-Qualified Withdrawal for an emergency?**

A withdrawal for an emergency would not entitle you to any special treatment under federal or state tax laws, or with respect to the additional 10% federal tax or any early Deposit liquidation penalty. As noted above, you would be entitled to an exception to the additional 10% federal tax (but not to the imposition of other applicable federal income tax) if you make a Non-Qualified Withdrawal in the case of a Beneficiary who dies or becomes disabled.

**INVESTMENTS**

**What happens to the contributions to my Account?**

When you open your Account, you tell the Manager in your Account Application which investment option you choose—the Age-Based Option, the Fixed Income Option, the Equity Option, the Balanced Option or the Principal Protection Income Option. If you open your Account through a financial institution accepting Deposits, a portion of the moneys in your Account will be invested in Deposits, and you may not select the Equity Option, the Balanced Option or the Principal Protection Income Option. If you open your Account through a financial institution not accepting Deposits, your Account will accordingly not be invested in a Portfolio containing Deposits. Based on the investment option you have chosen for your Account, all contributions will be allocated into one of the Portfolios of the Trust. Once you have selected an investment option, federal tax law allows you the ability to change the investment option for any reason one time in any calendar year and also upon any change in the designation of the Beneficiary of the Account.
How are the assets in the Portfolios invested?

Each Portfolio pools the money invested by all the Account Owners allocated to that Portfolio. The Manager may invest these pooled assets in the Funds, the Deposits (in certain cases) and other investments as directed by the Treasurer, in accordance with the Policy Statement.

Who manages the Funds?

The Funds are generally managed by Smith Barney Fund Management LLC (“SBFM”), formerly known as SSB Citi Fund Management LLC, an affiliate of the Manager, except the Salomon Brothers Investors Value Fund which is managed by Salomon Brothers Asset Management Inc, an affiliate of the Manager, the Oppenheimer Main Street Small Cap Fund® which is managed by OppenheimerFunds, Inc., an entity unaffiliated with the Manager, and the MFS Institutional International Research Equity Fund which is managed by Massachusetts Financial Services Company, an entity unaffiliated with the Manager.

What if the Treasurer replaces the Manager?

The Manager may continue to hold existing Accounts, but will not accept additional contributions. Or, the Treasurer may transfer Accounts to a new Program manager, which may invest Portfolio assets in mutual funds and investments other than the Funds. If you do not wish to continue to invest in the Trust after a change in managers, your only option is to make a Non-Qualified Withdrawal of your Account assets, subject to the additional 10% federal tax, any early Deposit liquidation penalty and any other applicable taxes.

Can I choose my own investments?

No. Federal tax laws prohibit you from directing the investment of the assets in your Account, directly or indirectly. Once you select an initial investment option you will not have the ability to change your investment option or to dictate investment of your Account assets or investment of the Portfolios themselves, except that you may select a different investment option for any reason once in any calendar year and also upon a change in Beneficiary for your Account. You will be notified of any significant changes to investments, policies or Program managers. The once per calendar year limitation on changing investment options applies on an aggregate basis to all Accounts under the Program and all accounts under other Illinois Section 529 Plans, including College Illinois! (which is offered by the Illinois Student Assistance Commission), having the same Account Owner and the same Beneficiary. Thus, you will not be permitted to change the investment option for your Account (assuming you do not change the Beneficiary on the Account) if, within the same calendar year, you have already changed the investment option for another Account you maintain under the Program for the same Beneficiary or for an account you maintain for the same Beneficiary under another Illinois Section 529 Plan. In addition, any transfer between an Account in the Program and an account you maintain for the same Beneficiary under another Illinois Section 529 Plan is considered a change of investment option for purposes of the investment change limitation. You
may, however, change the investment option on more than one Account (and/or accounts under other Illinois Section 529 Plans) for the same Beneficiary without violating the investment change limitation if all such changes are made at the same time. All such simultaneous changes are treated as a single change of investment option for purposes of the limitation.

Is the money in my Account safe?

Assets of the Trust are held “in trust” for the exclusive benefit of Account Owners and Beneficiaries in the Program. However, there is no guarantee that your Account will increase in value or achieve a particular rate of return or that your Account will not lose value.

Depending on the performance of the Funds, your Account may be worth more or less than when you make your initial contribution. It is possible to lose principal by investing in the Trust.

Is my investment guaranteed?

No. Except as described below, none of your Account, your investment in the Trust, the principal you deposit nor any investment return is insured or guaranteed by the FDIC, the State of Illinois or any of its agencies, the Treasurer, the Trust, any other state or federal governmental agency, the Manager, any affiliate of the Manager, Citigroup Inc., Citibank F.S.B., or any other depository institution. Interests in the Program are not deposits or other obligations of Citigroup Inc., the Manager, Citibank F.S.B., or any other depository institution. Allocable portions of an Account invested in Deposits may be insured by the FDIC or the National Credit Union Administration up to the statutory maximum (currently $100,000).

What about other guarantees?

The Treasurer does not guarantee that the Beneficiary will be accepted at any Eligible Educational Institution. Even after your Beneficiary begins attending an Eligible Educational Institution, the Treasurer does not guarantee that the Beneficiary will be able to continue to attend, or that he or she will graduate, or that he or she will be considered a resident of any particular state for tuition purposes. There is no guarantee that the amount you invest, plus any investment gains, will be enough to pay for the qualified higher education expenses of the Beneficiary.

Will my Account be invested in Deposits?

Your Account will be invested in Deposits only if you open your Account through a financial institution which is accepting Deposits under the Act. If you open your Account through a financial institution which is not accepting Deposits, your Account will not be invested in Deposits.

If my Account is invested in Deposits, will the Deposits be at the financial institution at which I opened my Account?

Not exclusively. The Deposits made from moneys in your Account will be distributed among all of the financial institutions accepting Deposits under the
Program, including the financial institution at which you opened your Account, on a *pro rata* basis. If there are 500 financial institutions accepting Deposits under the Program, the moneys in your Account to be invested in Deposits will be spread among all 500 financial institutions.

**If my Account is invested in Deposits, will the Deposits be federally insured or otherwise collateralized?**

Deposits at banks, savings banks, savings and loan associations and, to the extent permitted by law, federally insured credit unions will be insured by the FDIC or the National Credit Union Administration, as the case may be, to the extent that the *pro rata* portion of any Deposit allocable to your Account or Accounts at each such financial institution is at or below the maximum insurance limit (currently $100,000). To the extent that the *pro rata* portion of any Deposit allocable to any Account Owner is in excess of the federal insurance limit, the Act requires that the amount which is not federally insured be collateralized with United States Treasury obligations in an amount equal to 105% of such excess amount.

**If my Account is invested in Deposits, will the Manager trade Deposits if interest rates rise or fall?**

Although the trading of Deposits to seek to take advantage of market changes might result in an economic benefit to an Account, the Manager intends to follow a “buy and hold” strategy with respect to the Deposits, and does not expect to trade or sell Deposits prior to the stated maturity date with respect to such Deposits.

**If I make a withdrawal from my Account and my Account is invested in Deposits, do I pay any additional penalties for the withdrawal?**

Under the regulations promulgated under the Act, the Treasurer may impose a penalty on an Account Owner for Non-Qualified Withdrawals from an Account to compensate the Trust for the payment of any such liquidation penalty.

**EXPENSES**

**Are expenses charged under the Program?**

Yes. The Manager will be paid a service fee at an annual rate of 0.99% of the average daily net assets of the Trust. This 0.99% fee will be paid monthly solely from earnings of the Program in accordance with the Act, and includes fees and expenses charged by the Funds in which the Portfolios invest. Account Owners pay no fee or sales load in connection with the purchase by a Portfolio of the underlying Funds. The service fee will reduce the daily value of each Portfolio, and therefore will be reflected in the return to each Account. In the event that earnings of the Program are insufficient to pay such fee on any date, such fee will accrue until earnings of the Program are sufficient to pay such fee.

Note that the fees paid under the Program, including the service fee, are subject to change. New fees and expenses may be charged in the future.
Financial institutions processing new Accounts may charge an Account processing fee of up to $30 (which maximum fee will be adjusted annually by the Treasurer in accordance with the Act and applicable regulations). Returned checks will incur a $15 charge. Wire transfers of withdrawals may result in a $25 charge. Under the regulations promulgated under the Act, the Treasurer may also impose a penalty on an Account Owner for Non-Qualified Withdrawals from an Account to compensate the Trust for the payment of any liquidation penalty charged for the early liquidation of a Deposit.

**Changes of Beneficiaries and Transfers**

**What if the Beneficiary delays going to school or decides not to go?**

You can keep your Account open until the Beneficiary attends an Eligible Educational Institution, whenever that may be. If you choose not to keep the Account open for the Beneficiary, you have three options. First, you may request a Non-Qualified Withdrawal, but the portion of the withdrawal that represents earnings on investments will be subject to an additional 10% federal tax, together with any penalty imposed for liquidating any Deposits under the applicable rules and regulations promulgated under the Act, as well as any federal income taxes at your ordinary income tax rate and any applicable state or local taxes. Second, you may elect to name another Beneficiary, subject to any applicable penalty or tax consequences. Third, you may transfer Account assets to another Account or to another Section 529 Program, which transfer also may be subject to penalties or taxes and the additional 10% federal tax. For a description of the tax consequences of transfers to another Account or to another Section 529 Program for the same Beneficiary or another Beneficiary, see “Tax Matters—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Programs.”

**What if money remains in my Account after the Beneficiary has completed his or her education?**

You can change the Beneficiary, transfer Account assets to another Account or to another Section 529 Program, or simply withdraw the remaining Account assets subject to any applicable penalty and taxes.

**How can I change the Beneficiary on my Account?**

You may change the Beneficiary only by completing a Rollover Form. Note that an Account Owner may not change the Beneficiary of the Account if the Account is funded with proceeds from an UTMA/UGMA account or the Account Owner is a minor. If the new Beneficiary is a member of a younger generation than the original Beneficiary, a federal gift tax may apply and if the new Beneficiary is two or more generations younger than the original Beneficiary, a federal generation-skipping tax may apply, for the year in which the beneficiary change is made.
What is the impact of a change in the Beneficiary of an Account?

If the new Beneficiary is a family member (as defined in section 529(e) of the Code) of the original Beneficiary, there is no penalty or adverse tax consequences if you change the Beneficiary of your Account. If you wish to change the Beneficiary to someone who is not a member of the original Beneficiary’s family, you would make a Non-Qualified Withdrawal, which would be subject to federal income taxation on the investment earnings withdrawn and possibly an additional 10% federal tax on such earnings (unless an exception applies). You must certify the relationship between the new Beneficiary and the original Beneficiary to avoid the taxes.

What is the impact of a transfer to another Account or to another Section 529 Program?

Transfers to other Accounts or other Section 529 Programs for the same Beneficiary or certain family members are not subject to a penalty or applicable taxes. If the transfer is to an Account for a non-family member, you would be subject to federal income taxes at your tax rate on the investment earnings withdrawn and any applicable state taxes, as well as the additional 10% federal tax (unless an exception applies). In addition, transfers to another Section 529 Program for the benefit of the same Beneficiary are not subject to applicable taxes and penalties, provided that such transfer does not occur within twelve (12) months from the date of a previous transfer to any Section 529 Program for the benefit of the Beneficiary.

Can I transfer my Account to another Account Owner?

You may transfer your Account to another Account Owner without changing the Beneficiary identified as Beneficiary of your Account. Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, gift and estate tax consequences of a transfer of ownership before effecting such a transfer.

Who owns Account assets if the Account Owner dies?

If an Account Owner does not designate a successor Account Owner, or if such person also is deceased at the time the Account Owner dies, the Beneficiary of the Account would become the Account Owner.

TAX MATTERS

Can I take a tax deduction for my contribution to an Account?

There is no federal tax deduction for contributions made to an Account. If you are subject to Illinois taxes, there is a tax deduction at the State level. If you are subject to tax in another state, you must check with your tax advisor to determine how that state will treat a contribution to the Program.
What are the federal income tax advantages of the Program?

There are two primary federal income tax advantages to the Program. First, investment gains on contributions to your Account are not subject to federal income taxes until they are withdrawn. Second, the earnings portion of any Qualified Withdrawal is not taxed as income to the Beneficiary or to you in the case of Qualified Withdrawals made before January 1, 2011. After January 1, 2011, the earnings portion of Qualified Withdrawals will be taxable to the Beneficiary unless the provisions of the 2001 Tax Act are extended by Congress. (The earnings portion of any Non-Qualified Withdrawal is taxable to you, except for certain non-taxable transfers.)

Do I get special benefits as an Illinois taxpayer?

Yes. Contributions to an Account may be deducted for Illinois state income tax purposes. If used for qualified educational expenses, accrued earnings are exempt from Illinois state taxation when disbursed on behalf of a Beneficiary.

Are there any gift tax advantages of investing in the Program?

For federal tax purposes, contributions to an Account are treated as completed gifts to the Beneficiary. Normally, gifts in excess of $11,000 ($22,000 in the case of a consenting married couple) to a single person in one year are subject to federal gift tax. With the Program, however, you can contribute up to $55,000 ($110,000 in the case of a consenting married couple) in one year (subject to the overall aggregate contribution limit) and elect to treat the entire gift as a series of five equal annual gifts, potentially avoiding any gift tax consequences if no other gifts are made to the Beneficiary during this period.

Are there federal estate tax consequences?

Generally, if the Account Owner dies while there is still money in the Account, the value of that Account would not be included in the estate of the Account Owner (except where the election described above for contributions of up to $55,000 ($110,000 in the case of a consenting married couple) has been made and the five-year period has not run). Amounts distributed on account of the death of a Beneficiary generally would be included in the gross estate of that Beneficiary for federal estate tax purposes.

Can I invest in the Trust and in a Coverdell Education Savings Account in the same year?

Yes. Under the 2001 Tax Act, contributions may be made to an Account and to a Coverdell Education Savings Account. The 2001 Tax Act contains certain requirements when withdrawals are made from a Section 529 Program and a Coverdell Education Savings Account in the same year.

Are the provisions of the 2001 Tax Act permanent?

No. Unless extended by Congress, they are scheduled to expire on December 31, 2010, at which time the prior law would be reinstated.
Can I transfer my existing Coverdell Education Savings Account into the Trust?

Yes. You may take a distribution of part or all of your Coverdell Education Savings Account and invest it as a contribution to your Account. Such a distribution is considered a qualifying Coverdell Education Savings Account distribution that is not subject to federal income tax. However, a distribution from the Program that is invested in a Coverdell Education Savings Account will be treated as a Non-Qualified Withdrawal from the Program. Please consult your tax advisor.

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PARTICIPATION AGREEMENT

General Information

This Participation Agreement contains the terms governing your Account established pursuant to the Bright Start® College Savings Program (the “Program”). The State Treasurer of the State of Illinois (the “Treasurer”) administers the Program, which is designed to qualify for treatment as a qualified tuition program within the meaning of Section 529 of the Internal Revenue Code of 1986, as amended (a “Section 529 Program”). By signing the Bright Start College Savings Program Account Application, you agree to be bound by the terms of this Participation Agreement which will be effective as of the date you execute the Account Application.

The Program is designed to help you save for the Qualified Higher Education Expenses (as hereinafter defined) of the Beneficiary (as hereinafter defined) you designate in the Account Application (as hereinafter defined). Your investment in the Program will be made through your contributions to a separate account (the “Account”) that is part of the Bright Start College Savings Trust, an irrevocable trust established by the Treasurer under Illinois law (the “Trust”). Citigroup Global Markets Inc. (the “Manager”) will provide investment management, marketing, administrative, record keeping and other services under the Program (the “Services”). The Services include, but are not limited to, investing your assets according to the guidelines established by the Treasurer and in accordance with the Investment Policy Statement of the Treasurer and based on the investment option you select; accepting and processing contributions to and withdrawals from your Account; and providing certain record keeping services with respect to your investment in the Trust.

Your investment in the Trust will not be insured by the Federal Deposit Insurance Corporation (the “FDIC”), or any other state or federal governmental agency. Interests in the Program are not deposits or other obligations of Citigroup Inc., Citibank F.S.B., or any other depository institution. Except as described below, none of your Account, the principal you invest nor any investment return is insured or guaranteed by the FDIC, the State of Illinois (the “State”) or any of its agencies, the Treasurer, the Trust, any other state or federal governmental agency, Citigroup Inc., Citibank F.S.B., any other depository institution, the Manager or any affiliate of the Manager. You could lose money (including the principal invested), or not make money, if you invest in the Trust. Certain of the investment portfolios under the Program will invest a portion of their assets in deposits that are insured by the FDIC or the National Credit Union Administration, as described herein, up to the statutory maximum (currently $100,000) per Account Owner, per financial institution, as more fully described in the Program Disclosure Statement (as hereinafter defined).

The Program Disclosure Statement sets forth in greater detail the terms of the Program. The Program Disclosure Statement is incorporated in its entirety by reference into this Participation Agreement. Before making any investment under the Program, you must read the Program Disclosure Statement in its

“BRIGHT START” is a registered service mark of the State of Illinois Treasurer’s Office.
Definitions

Terms used in this Participation Agreement shall have the meanings set forth below. Any terms not defined in this Participation Agreement shall have the meanings given them in the Program Disclosure Statement.

“Account” means your account established and maintained as part of, and a beneficial interest in, the Trust. The money you contribute under the Program will be allocated to your Account. You may open more than one Account for the same Beneficiary.

“Account Application” refers to the Bright Start College Savings Program Account Application.

“Account Owner,” “you” or “your” refers to the individual or entity signing the Account Application and opening an Account, and thereby becoming a beneficiary of the Trust.

“Act” refers to Public Act 91-0607 of the State, which authorizes the establishment and administration of a college savings program by the Treasurer as a Section 529 Program.

“Beneficiary” means the person you identify on the Account Application as the beneficiary of the Account whose Qualified Higher Education Expenses will be paid from the Account.


“Deposits” means the deposits to be made by the Trust on behalf and for the benefit of the Account Owners, in accordance with the Program Disclosure Statement, with financial institutions accepting deposits, as required by the Act.

“Eligible Educational Institutions” are institutions of higher education that are described in Section 481 of the Higher Education Act of 1965 (20 U.S.C. 1988), as in effect on August 5, 1997, and are eligible to participate in a program under Title IV of such Act.

“Family Member” means a member of the family, as defined in Section 529(e)(2) of the Code.

“Funds” are mutual funds which are among those investments in which the Portfolios may invest. The Treasurer, upon recommendation of the Manager, chooses the particular Funds, if any, in which each Portfolio invests in accordance with the Policy Statement.

“Manager” refers to Citigroup Global Markets Inc., or such other contractor selected by the Treasurer to provide Services in connection with the Program.
“Non-Qualified Withdrawal” means a withdrawal from an Account other than a Qualified Withdrawal.

“Policy Statement” refers to the Investment Policy Statement established by the Treasurer. The Policy Statement sets forth the policies, objectives and guidelines that govern the investment of Trust assets.

“Portfolio” means one of the investment portfolios of the Trust.

“Program Disclosure Statement” means the Bright Start College Savings Program Disclosure Statement, as amended and supplemented from time to time.

“Qualified Higher Education Expenses” are tuition, room and board (subject to certain limits), fees, books, supplies and equipment required for enrollment or attendance of the Beneficiary at an Eligible Educational Institution, all within the meaning of Section 529(e)(3) of the Code.

“Qualified Withdrawal” means a withdrawal from an Account to pay the Qualified Higher Education Expenses of the Beneficiary.

“Services Agreement” means the College Savings Pool Services Agreement, between the Treasurer and the Manager, as from time to time supplemented and amended.

“State” refers to the State of Illinois.

“Treasurer” means the State Treasurer of the State, a constitutional officer and an instrumentality of the State. The Treasurer is the administrator of the Program and the trustee of the Trust.

“Trust” means the Bright Start College Savings Trust. The Accounts are part of the Trust, which is administered by the Manager, as agent of and under the supervision of the Treasurer, and held in the name of the Treasurer, as trustee, on behalf and for the benefit of the Account Owners, as beneficiaries of the Trust, and the Beneficiaries.

“Units” are units of interest in one or more of the Portfolios to which the assets in your Account are allocated.

Contributions to Your Account

1. You may make contributions to your Account or Accounts in cash only. For these purposes, making contributions in cash means putting money in your Account(s) by check, money order or electronic funds transfer acceptable to the Manager. Checks must be drawn on a U.S. bank, and should be made payable to “Bright Start.” Third party checks will only be accepted at the Manager’s discretion.

2. The minimum initial contribution to an Account is $25, and the minimum subsequent contribution is $15, except in the case of contributions by
electronic transfer to an Account established pursuant to corporate and other employer relationships, there is no minimum initial or subsequent contribution. The Manager may waive such minimums for one or more Accounts in its sole discretion.

3. For each Beneficiary, there is currently a maximum aggregate balance limit of $235,000 from all sources for all Accounts established under the Program and all accounts established under any other Section 529 Programs (including College Illinois! administered by the Illinois Student Assistance Commission) established and maintained by the State of Illinois. You may not make a contribution that results in an aggregate balance in the Accounts and other accounts under any other Section 529 Program established and maintained by the State of Illinois for a Beneficiary that exceeds the contribution limit. This maximum aggregate contribution limit is subject to change, and the Manager will notify you of any such changes.

4. Your investment will be directed to one or more Accounts established for the purpose of funding the Qualified Higher Education Expenses of the Beneficiary (each Account can be for only one Beneficiary) that you designate when you make your initial contribution. If you establish more than one Account for the same Beneficiary, you may choose a different investment option for each Account. You may change the investment option selected for a particular Account for any reason one time during any calendar year and also upon a change in the person designated as Beneficiary of the Account. The once per calendar year limitation on changing investment options applies on an aggregate basis to all Accounts under the Program and all accounts under other Illinois Section 529 Plans, including College Illinois!, having the same Account Owner and the same Beneficiary. Thus, you will not be permitted to change the investment options for your Account (assuming you do not change the Beneficiary on the Account) if, within the same calendar year, you have already changed the investment option for another Account you maintain under the Program for the same Beneficiary or for an account you maintain for the same Beneficiary under another Illinois Section 529 Plan. In addition, any transfer between an Account in the Program and an account you maintain for the same Beneficiary under another Illinois Section 529 Plan is considered a change of investment option for purposes of the investment change limitation. You may, however, change the investment option on more than one Account (and/or accounts under other Illinois Section 529 Plans) for the same Beneficiary without violating the investment change limitation if all such changes are made at the same time. All such simultaneous changes are treated as a single change of investment option for purposes of the limitation.

**Investment of Account Assets**

1. At the time you establish an Account or Accounts, you choose an investment option that will form the basis for the allocation of the assets in
that Account among asset classes. After this initial election, you may not
direct the investment of contributions to your Account(s) or change the
investment option selected for an Account, except that you may select a
new investment option for any reason one time in a calendar year and also
upon any change in the person designated as Beneficiary of the Account.
Initial and subsequent contributions to your Account will be invested as
described in the Program Disclosure Statement, as amended from time to
time, and investments in the respective Trust Portfolios will be credited to
your Account. The once per calendar year limitation on changing
investment options applies on an aggregate basis to all Accounts under the
Program and all accounts under other Illinois Section 529 Plans, including
College Illinois!, having the same Account Owner and the same
Beneficiary. Thus, you will not be permitted to change the investment
options for your Account (assuming you do not change the Beneficiary on
the Account) if, within the same calendar year, you have already changed
the investment option for another Account you maintain under the Program
for the same Beneficiary or for an account you maintain for the same
Beneficiary under another Illinois Section 529 Plan. In addition, any
transfer between an Account in the Program and an account you maintain
for the same Beneficiary under another Illinois Section 529 Plan is
considered a change of investment option for purposes of the investment
change limitation. You may, however, change the investment option on
more than one Account (and/or accounts under other Illinois Section 529
Plans) for the same Beneficiary without violating the investment change
limitation if all such changes are made at the same time. All such
simultaneous changes are treated as a single change of investment option
for purposes of the limitation.

2. After establishing your Account or changing the investment option for your
account, it is your responsibility to review the manner in which the
Manager has allocated the assets in your Account and to confirm that such
allocation is accurate. You have 30 days after receiving the first quarterly
statement concerning your Account to notify the Manager if you believe
that your assets have been invested in the wrong Portfolio. It also is your
responsibility to review the investment goals and time horizons for the
investment options and Portfolios described in the Program Disclosure
Statement and to determine whether participation in the Program is
appropriate for you, and if the investment option you have chosen meets
your needs and risk tolerance.

3. The Manager will separately maintain your Account in the Trust, and the
Treasurer will be the trustee of your Account. The assets of your Account
will be commingled with amounts credited to the Accounts of other
Account Owners for investment purposes.

4. You (not the Beneficiary) are the sole owner of all contributions, and all
net investment earnings on such contributions, although there are special
federal and state tax rules applicable to such contributions and earnings.

Designation of Beneficiary

1. You shall designate one person as Beneficiary for each Account on the
Account Application.
2. You may from time to time designate a new Beneficiary in place of the person then designated as the Beneficiary of your Account, except as discussed in paragraph 4 of this Section.

3. If the new Beneficiary is a Family Member of the currently designated Beneficiary, there is no penalty or adverse tax consequences resulting from such designation (although you will receive a new Account number). If, however, you designate a Beneficiary who is not a Family Member of the current Beneficiary, that designation will be treated as a Non-Qualified Withdrawal of Account assets and a transfer of such assets to a new Account for the new Beneficiary. This transfer is subject to federal income taxation, and may be subject to an additional federal tax of 10% on the earnings portion of such Non-Qualified Withdrawal.

4. In the case of a minor Account Owner, the parent or guardian for such minor Account Owner may not change the original Beneficiary designation. If an Account is funded with assets from an UGMA/UTMA account, the Account Owner (who is the UGMA/UTMA Custodian) will not be able to change the Beneficiary of the Account.

5. You may request a substitution of the person named as Beneficiary of your Account only by completing the designated form which can be obtained from the Manager. The substitution shall become effective when the Manager has approved the Form. The Form will ask you to certify the family relationship, if any, between the new Beneficiary and the current Beneficiary.

Withdrawals

1. Withdrawals of all or a portion of your Account will be processed only if you submit a properly completed and executed Withdrawal Form, which can be obtained from the Manager, and any additional required documentation.

2. If an Account is funded with UTMA/UGMA account assets, the Account Owner is not permitted to make withdrawals other than for the benefit of the Beneficiary.

3. If you request a Non-Qualified Withdrawal, then the earnings portion of such withdrawal is subject to an additional federal tax of 10% on the earnings portion unless it satisfies one of several limited exceptions. A Non-Qualified Withdrawal may also result in a penalty which the Treasurer may impose in the event your Account is invested in Deposits to compensate the Trust for the payment of any liquidation penalty relating to an early liquidation of Deposits. Non-Qualified Withdrawals likely will result in income taxation to you, except for (i) a non-taxable transfer to another Account or to another Section 529 Program for a different Beneficiary who is a Family Member of the Beneficiary; or (ii) a qualifying non-taxable transfer to another Section 529 Program for the designated Beneficiary.
4. A Non-Qualified Withdrawal is not subject to the 10% additional tax or penalty only if the withdrawal is: (i) made on account of the death or disability of the Beneficiary; (ii) made on account of a scholarship received by the Beneficiary, to the extent that the withdrawal does not exceed the amount of the scholarship; (iii) until January 1, 2011, amounts that are Non-Qualified Withdrawals solely because of expenses that were taken into account in determining the “Hope and Lifetime Learning Credits” allowed under federal income tax law; or (iv) a non-taxable transfer to another Account or to another Section 529 Program for the same Beneficiary or a different Beneficiary who is a Family Member of the original Beneficiary. Any penalty assessed will be immediately charged against the Account and paid to the Treasurer.

5. The earnings portion of any withdrawal will be computed in accordance with Section 529 of the Code and any regulations thereunder.

Account Owner’s Representations, Warranties, Acknowledgments and Covenants

You hereby represent, warrant, acknowledge and agree with the Treasurer as follows:

1. You are a resident of the United States of America.

2. You have received and read the Program Disclosure Statement, have carefully reviewed the information contained therein, including information provided by or with respect to the Treasurer and the Manager, and agree that its terms are incorporated into this Participation Agreement as if they were set forth in this Participation Agreement.

3. The investment of assets held in your Account will be governed by the provisions of the Program Disclosure Statement and this Participation Agreement, each as amended from time to time, and all such assets will be held exclusively for your benefit and the benefit of the person named as Beneficiary of that Account.

4. You have been given an opportunity, within a reasonable time prior to the effective date of this Participation Agreement, to ask questions of representatives of the Treasurer and the Manager and receive satisfactory answers concerning (i) an investment in the Trust; (ii) the terms and conditions of the Program and the Trust; (iii) the particular investment options that may be selected; (iv) the Program Disclosure Statement, this Participation Agreement and the Account Application; and (v) your ability to obtain such additional information necessary to verify the accuracy of any information furnished.

5. The Program is established and maintained with the intent that it meet the requirements for favorable federal tax treatment under Section 529 of the Code. Qualification under Section 529 of the Code is vital, and the Treasurer may amend this Participation Agreement at any time if the Treasurer determines that such an amendment is necessary to maintain
qualification under Section 529 of the Code. If for any reason the Internal Revenue Service determines that the Program does not qualify under Section 529 of the Code, such a determination could have significant adverse tax consequences to you.

6. Federal and State laws are subject to change, sometimes with retroactive effect, and none of the State, the Treasurer or the Manager, or any affiliate of the foregoing, or any other person makes any representation that such federal or State laws will not be changed or repealed.

7. With respect to each Account you open under the Program, you are opening the Account in order to provide funds for the Qualified Higher Education Expenses of the Beneficiary of that Account.

8. As of the date that you execute your Account Application, you have not made contributions to an Account under the Program or to any other account under any other Section 529 Program to benefit your Beneficiary, such that the aggregate balance of the Accounts and other accounts under other Section 529 Programs established and maintained by the State of Illinois exceed $235,000. You will not make contributions to your Account, such that the aggregate balance of the Accounts and other accounts under other Section 529 Programs established and maintained by the State of Illinois exceed $235,000 (or such higher contribution limit as to which you are notified from time to time).

9. You have not relied on any representations or other information, whether oral or written, and whether made by any agent or representative of the Treasurer, the Manager, a participating financial institution, or otherwise, other than as set forth in the Program Disclosure Statement (including any applicable supplement to the Program Disclosure Statement) and in this Participation Agreement.

10. The value of your Account(s) will increase or decrease each day that the New York Stock Exchange is open for trading, based on the investment performance of the Portfolio in which your Account is then invested, and each Portfolio will invest in the Funds, Deposits or other investments selected by the Treasurer, or in other funds of one or more other investment advisers that may be hired by the Treasurer. YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT(S) TO WHICH YOU MAKE CONTRIBUTIONS MAY BE MORE OR LESS THAN THE AMOUNTS YOU CONTRIBUTE TO THE ACCOUNT(S).

11. Once you have selected an available investment option for your Account, you cannot direct the investment of any contributions to your Account invested in the Trust, either directly or indirectly. You will, however, have the ability to change the investment option selected for your Account for any reason one time during any calendar year and also upon a change in the person designated as Beneficiary of your Account.

12. None of the State, the Treasurer, the Manager, or any affiliate of the foregoing, or any other person makes any guarantee that you will not
suffer a loss of the amount invested in any Account or that you will receive a particular return on any amount contributed to an Account.

13. You have accurately and truthfully completed the Account Application, and any other documentation that you have furnished or will subsequently furnish in connection with the opening or maintenance of, or any withdrawals from, your Account(s) is or will be accurate, truthful and complete, including the age indicated for the Beneficiary.

14. If you make false statements in connection with opening an Account or otherwise, the Treasurer and/or the Manager may take such action as the Treasurer and/or the Manager deem necessary or appropriate, including, without limitation, terminating your Account or requiring that you indemnify the State, the Manager and/or the Treasurer as discussed under “Limitation of Liability; Indemnification” below.

15. Your participation in the Program does not guarantee that the Beneficiary: (i) will be accepted as a student by any Eligible Educational Institution; (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 Eligible Educational Institution; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You further acknowledge and agree that none of the State, the Treasurer, the Manager, a participating financial institution, or any affiliate of the foregoing, or any other person, makes any such representation or guarantee.

16. No Account in which you invest will be used as collateral for any loan. Any attempt to use an Account as collateral for a loan shall be void. The Program itself will not loan any assets to you or the Beneficiary.

17. You will not assign or transfer any interest in any Account, except as otherwise contemplated in the Program Disclosure Statement or this Participation Agreement. Any unauthorized assignment or transfer of such an interest shall be void.

18. Although you own Units of the Trust through your Account, you do not have a direct beneficial interest in the Funds, and therefore you do not have the rights of an owner or shareholder of such mutual funds.

19. You may transfer your Account to another Account Owner without changing the person identified as Beneficiary of your Account. If the Account Owner is a minor or the Account was funded with the proceeds from an UTMA/UGMA account, the Account cannot be transferred to another Account Owner (other than to another UTMA/UGMA custodian for the benefit of the same Beneficiary). Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, gift, and estate tax consequences of a transfer of ownership before effecting a transfer. To effect a transfer of ownership, you should contact the Manager.
20. If you do not designate a successor Account Owner on your Account Application, or if such person is deceased or validly disclaims his or her interest in the Account, the Beneficiary of your Account will become the Account Owner.

21. The Treasurer or the Manager may ask you to provide additional documentation that may be required by applicable law or in connection with your investment in the Program, and you agree to promptly comply with any such requests for additional documentation.

22. You have asked the financial institution through which you are opening your Account whether or not it is a financial institution accepting Deposits under the Program. In the event that such financial institution is accepting Deposits under the Program, you acknowledge that a designated portion of your Account will be invested by the Trust in Deposits with financial institutions accepting Deposits under the Program as required by the Act and as described in the Program Disclosure Statement.

23. You have asked the financial institution through which you are opening your Account whether or not it is a financial institution accepting Deposits under the Program. In the event that such financial institution is not accepting Deposits under the Program, you acknowledge that your Account will not be invested by the Trust in Deposits.

24. None of the Program Disclosure Statement, this Participation Agreement or the Account Application addresses taxes imposed by a state, other than the State, or the applicability of local taxes to the Program, the Trust, your investment in the Trust or your Account. You should consult with a qualified tax advisor regarding the application of all taxes (including those summarized in the Program Disclosure Statement) to your particular situation.

25. The state or locality in which you reside may impose a tax on the earnings accumulated on your Account assets, without deferring such tax until the time that a withdrawal is made from the Account. You are generally responsible for paying any taxes imposed upon you with respect to your Account. However, to the extent that such taxes relating to your Account are imposed upon the Trust, they can be paid directly from your Account. Such payments may be considered Non-Qualified Withdrawals. Effective January 1, 2001, the assets of the Program and its income and operation are exempt from all taxation by the State of Illinois and any of its subdivisions. The accrued earnings on investments in the Program disbursed on behalf of a Beneficiary are also exempt from all taxation by the State of Illinois and its subdivisions, so long as they are used for qualified higher education expenses.

**Fees and Expenses**

1. A service fee at an annual rate of 0.99% to be paid to the Manager will be charged against the earnings of the Trust to provide for the costs of management and administration. These fees may be adjusted in the future.
2. Financial institutions may, but are not required to, charge a new Account processing fee of up to $30, which maximum fee will be adjusted annually by the Treasurer in accordance with the Act and applicable regulations. Account Owners are subject to the following fees: (i) a $15 charge for returned checks; and (ii) a $25 charge for wire transfers from an Account. These expenses may be adjusted in the future.

3. New fees and expenses may be charged in the future.

**Limitation of Liability; Indemnification**

1. **Indemnification.** You recognize that the establishment of any Account in the Trust will be based upon your acknowledgments, statements, agreements, representations, warranties and covenants set forth in this Participation Agreement and the Account Application. You agree to indemnify and hold harmless the Program, the Trust, the Treasurer, the State, the Manager, and any affiliates, directors, officers, employees, agents and other representatives of the foregoing, for any liabilities or expenses (including costs of attorney’s fees) they each may incur as the result of any misstatement or misrepresentation made by you or the Beneficiary, or any breach by you or the Beneficiary of the acknowledgments, statements, agreements, representations or warranties or covenants contained in this Participation Agreement, other than the failure of the Treasurer or the Manager to perform their respective duties specified in the Program Disclosure Statement. All of your statements, representations, warranties, covenants and agreements shall survive the termination of this Participation Agreement.

2. **Extraordinary Events.** The Treasurer and the Manager each will not be liable to you for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes, changes in federal or state law (including tax law) or other conditions beyond their control.

**Lawsuits; Disputes**

1. **Lawsuits Involving your Account.** Except as to controversies arising between you or the Beneficiary and the Treasurer or the Manager, the Treasurer or the Manager may apply to a court at any time for judicial settlement of any matter involving your Account. The Treasurer represents that if the Treasurer or the Manager so applies for a judicial settlement, the Treasurer will give you or the Beneficiary the opportunity to participate in the court proceeding, but each of them also can involve other persons. Any expense that the Treasurer or the Manager incurs in legal proceedings involving your Account, including attorneys’ fees and expenses, are chargeable to your Account and payable by you or the Beneficiary if not paid from your Account.

2. **Disputes.** Any controversies that may arise between you or the Beneficiary and the Treasurer involving any transaction in your
Account(s), or the construction, performance or breach of this Participation Agreement, may be determined by arbitration or court proceedings, as determined by the Treasurer in its sole discretion. If there is a dispute between you or the Beneficiary and the Treasurer that is adjudicated in the courts, you hereby submit (on behalf of yourself and the Beneficiary) to exclusive jurisdiction in the courts of Illinois for all legal proceedings arising out of or relating to this Participation Agreement. In any such proceeding, you (on behalf of yourself and the Beneficiary) and the Treasurer each agree to waive your rights to trial by jury. If there is a dispute between you or the Beneficiary and the Manager that is determined, in its sole discretion, to be arbitrated, you agree (on behalf of yourself and the Beneficiary) that the arbitration will be conducted in Illinois pursuant to the then current rules for such proceedings as provided by the American Arbitration Association.

Arbitration

1. This Participation Agreement contains a pre-dispute arbitration clause. By signing this Participation Agreement, you agree (on behalf of yourself and the Beneficiary) that all controversies that may arise between you or the Beneficiary and the Manager involving your Account(s), or the construction, performance or breach of this Participation Agreement, shall be determined by arbitration before any self-regulatory organization or exchange of which the Manager is a member. You may elect which of these arbitration forums shall hear the matter by sending a registered letter or telegram addressed to Citigroup Global Markets Inc./Bright Start, 77 Water Street, New York, NY 10005, Attn: Law Department. If you fail to make such election before the expiration of thirty (30) days after receipt of a written request from the Manager to make such election, the Manager shall have the right to choose the forum. Note that:

- You (on behalf of yourself and the Beneficiary) and the Manager are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.
- The ability of parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
• The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Participation Agreement.

2. Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law.

3. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

(a) the class certification is denied;

(b) the class is decertified; or

(c) the person is excluded from the class by the court.

4. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Participation Agreement except to the extent stated in this Participation Agreement.

Miscellaneous Provisions

1. Reporting. Subject to certain limitations, the Treasurer, as trustee of the Trust, has designated the Manager to administer and maintain the records of the Trust. The Manager will keep records of all transactions concerning your Account, and will provide quarterly statements of your Account to you. The Treasurer will cause, and represents that it has required the Manager to cause, reports of your Account to be sent to you, the Internal Revenue Service and such other regulatory authorities as required by law. If you do not write to the Manager to object to a statement or report within 30 days after it has been sent to you, you will be considered to have approved it and to have released the Treasurer and the Manager from all responsibility for matters covered by the report. You agree to provide all information the Treasurer or the Manager may need to comply with any legal reporting requirements. You will continue to be responsible for filing your federal and state tax returns and any other reports required of you by law.

2. Duties of the Treasurer. Neither the Treasurer nor his or her representatives has a duty to you to perform any action other than those specified in this Participation Agreement or the Program Disclosure Statement. The Treasurer may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by you or another authorized person, and may assume that the authority of any other authorized person continues in effect until the
Treasurer receives written notices to the contrary. The Treasurer has no duty to determine or advise you of the investment, tax or other consequences of your actions, or of its actions in following your directions, or of its failing to act in the absence of your directions.

3. **Duties of the Manager.** Neither the Manager nor its representatives have a duty to you to perform any actions, other than those specified in the Program Disclosure Statement and the Services Agreement. The Manager may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by you or another authorized person and may assume that the authority of any other authorized person continues in effect until the Manager receives written notices to the contrary. The Manager has no duty to determine or advise you of the investment, tax or other consequences of your actions, or of its actions in following your directions, or of its failing to act in the absence of your directions.

4. **Change in Manager.** The Treasurer may appoint a new program manager in the future. In such event, your assets may (i) continue to be managed by the prior manager, (ii) be managed in part by the prior manager and in part by the new manager, such that assets in your Account before the change in managers, and earnings on such assets, are managed by the prior manager, and assets contributed after the change or earnings on such assets are managed by the new manager, or (iii) be managed entirely by the new manager. In each such event, you will not able to direct investment of your Account assets, except as described above in “Investment of Account Assets.”

5. **Effectiveness of This Participation Agreement.** This Participation Agreement shall become effective upon the execution of your Account Application, subject to the right of the Treasurer or the Manager to reject your Account Application if, in processing the Account Application, it is determined that the Account Application has not been completed in accordance with guidelines under the Program.

6. **Amendment and Termination.** Subject to certain limitations, and except as otherwise provided herein, the Treasurer (as trustee of the Trust) may, at any time, and from time to time, amend this Participation Agreement or the Program Disclosure Statement, or suspend or terminate the Program and the Trust, by giving written notice of such action to you, but your Account assets may not thereby be diverted from the exclusive benefit of you and/or the Beneficiary. The Treasurer may also terminate the Program and the Trust, if the Treasurer determines that the continued administration of the Program and the Trust is not economically feasible, by giving written notice of such action to you. Nothing contained in this Participation Agreement or the Program Disclosure Statement shall constitute an agreement or representation by the Treasurer, on its own behalf or on behalf of the Manager, or any contracting party, that it will continue to maintain the Program or the Trust indefinitely.
7. **Successors and Assigns.** This Participation Agreement shall be binding upon the parties and their respective heirs, successors (including substitute and transferee Account Owners) and permitted assigns. You agree that all of your representations and obligations under this Participation Agreement shall inure to the benefit of the Manager, which shall be a third-party beneficiary to this Participation Agreement, as well as to the Treasurer. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Participation Agreement is intended or shall be construed to give to any person, other than you, the Treasurer and the Manager, any legal or equitable right, remedy or claim under or with respect to this Participation Agreement or any covenants, conditions and provisions herein contained; this Participation Agreement and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of you, the Treasurer and the Manager as herein provided.

8. **Communications.** For purposes of this Participation Agreement, communications will be sent to you at the permanent address that you specify in your Account Application or at such other permanent address that you give to the Manager in writing. All communications so sent will be deemed to be given to you personally upon such sending, whether or not you actually receive them.

9. **Severability.** If any provision of this Participation Agreement is held to be invalid, illegal, void or unenforceable, by reason of any law, rule, or administrative order, or by judicial decision, such determination will not affect the validity of the remaining provisions of this Participation Agreement.

10. **Headings.** The heading of each section, paragraph and provision in this Participation Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations set forth in each such section, paragraph and provisions.

11. **Governing Law.** This Participation Agreement shall be construed in accordance with and shall be governed by the laws of the State, without regard to community property laws or choice of law rules of any state. Your execution of the Account Application shall constitute execution of this Participation Agreement.
It might be hard to imagine now, but your children will be heading off to college sooner than you think. The question is - will your savings be ready, too? To help you prepare for the high cost of education, the Illinois State Treasurer's Office, working with Citigroup Asset Management, has created the Bright Start® College Savings Program. Bright Start is a tax-advantaged Section 529 Plan that helps parents, grandparents, relatives and friends nationwide save for a loved one's college education. So why wait, when you can get started today? After all, the day is coming sooner than you think.

Consider the investment objectives, risks, fees and expenses of the Program carefully before investing. The Program Disclosure Statement contains more complete information about these and other features associated with the Program. The Program Disclosure Statement should be read carefully before investing.

Bright Start Features:

- Tax Advantaged Savings
- Professional Money Management
- Simplicity in Managing Your Account

Contribute Now! Starting early saves you more! Already a customer? Check your savings online!

If you or your designated beneficiary is a resident of a state other than Illinois, you should check with your or your designated beneficiary's home state to see if it offers a Section 529 program. That program may offer state tax or other benefits to residents of that state that may not be available to investors in programs of other states.
Citigroup Asset Management is comprised of Salomon Brothers Asset Management Inc., Smith Barney Asset Management (a division of Citigroup Global Markets Inc.), and Citibank Global Asset Management (a unit of Citibank, N.A.) and other affiliated advisory entities. Citigroup Global Markets Inc., through its Smith Barney Asset Management division, serves as the manager of the plan. Citigroup Global Markets Inc. is the primary distributor of interest in the Program.


Bright Highlights source: Savingforcollege.com, June 2003. Bright Start® received a 4½-Cap rating for residents investing directly and a 3½-Cap rating for non-residents investing directly. The "5-Cap Rating" assigns an overall rating to each 529 program ranging from 1-Cap (least attractive) to 5-Cap (most attractive). The 5-Cap Rating represents savingforcollege.com's assessment of the overall usefulness of a state's 529 plan based on many considerations such as flexibility, liquidity and availability, ownership rights, state benefits, investment approach and safety, program resources and financial aid impact. It is not strictly a measure of historical returns and it is not a predictor of future investment performance, level of risk, or financial solvency of the program funds. These ratings are not the result of a fixed formula and are subject to change. This rating information should not be used as the only basis to make an investment decision. Before establishing a 529 account and making contributions, it is imperative that investors read and understand all enrollment materials and disclosures from the Program.

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Notice of Business Continuity Preparedness

Citigroup Global Markets Inc. (the Firm) is committed to providing uninterrupted service and support to its clients. The Firm recognizes that certain uncontrollable events can cause varying degrees of disruption to normal business processes. For example, a severe storm can adversely affect the ability of staff to report to work on a given day. Events of greater severity, such as a regional electrical blackout or an intentionally destructive act, could cause wider concern and disruption. The Firm and its Citigroup affiliates recognize the responsibility to our customers to continue critical operations during such events, including providing access to funds and securities. The Firm’s goal is to meet this obligation with minimal interruption — on the same day, if possible — given the circumstances and scope of any disruptive event.

Citigroup Global Markets Inc., Manager of the Bright Start® College Savings Program, would like its clients and potential clients to be aware that the Firm has developed and maintains written business continuity plans we believe not only provide effective responses to a wide variety of disruptive events, but better enable the Firm to continue critical operations during a business disruption.

What does the Firm’s business continuity plan address?

The Firm’s business continuity plans provide for continuity of critical operations and other activities during a variety of disruptions. They include client support responses such as conducting operations from alternate sites in different locations, if necessary, operating across multiple power grids or operating with self-generating facilities while maintaining the Firm’s presence in the marketplace and servicing client accounts. These plans are designed to enable the Firm to continue critical operations whether the disruption is firm-wide or citywide, affecting an entire business, district, region or a single building.

The Firm believes it is important that its clients remain confident in our commitment and ability to provide ongoing services and uninterrupted access to funds and securities in the event of a business disruption. To maintain effective and secure plans, we keep them confidential and do not provide specific details in this notice. In addition, the Firm is committed to maintaining effective communications with its clients during a business disruption. General information for Citigroup companies may be obtained by visiting the corporate Internet site at http://www.citigroup.com/.

Our business continuity plans are reviewed to ensure appropriate enhancements are implemented as technology improves, business plans evolve, or regulatory requirements change. Senior management has designated a corporate head of business continuity and the Firm’s plans and supporting documents are subject to review by both internal and external auditors as well as examination by industry regulators. Should material changes to the plans occur, this "Notice of Business Continuity Preparedness" will be updated as appropriate. We may modify this notice at any time with such modifications becoming effective upon posting to our web site. You may obtain a current copy of this notice by calling the Program’s toll free number at 1-877-43-BRIGHT. If your account was opened through a Smith Barney Financial Consultant, and you want to obtain Smith Barney’s Notice of Business Continuity Preparedness, contact your Financial Consultant or access the Smith Barney web site at http://www.smithbarney.com/.

Citigroup Global Markets Inc. serves as manager of the Bright Start® College Savings Program through its Smith Barney Asset Management division, which is part of Citigroup Asset Management, the Citigroup business unit comprised of Smith Barney Asset Management and other asset management firms. Citigroup Global Markets Inc. is the primary distributor of interests in the Bright Start® College Savings Program.

Bright Start is a registered service mark of the State of Illinois Treasurer’s Office. The Illinois State Treasurer is the Trustee and Administrator of Bright Start.
Smith Barney is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world.

August 5, 2004

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AGREEMENT FOR USERS OF THE BRIGHT START WEB SITE

By using the Bright Start Web Site (the "Site"), you agree to be bound by all of the terms of this Agreement.

1. SERVICES PROVIDED

Citigroup Asset Management and its affiliates, through the Site, shall provide you with electronic access through your computer or other electronic device (collectively "Computer") to certain electronic services and information ("Services"), including but not limited to the provision of information and access to software ("Information") through the Site by means of an unaffiliated Internet service provider (the "Provider") and the ability to communicate electronically with Citigroup Asset Management and its affiliates ("E-mail"). Citigroup Asset Management and its affiliates may cancel or change the Services at any time. Your continued use of the Services following the posting or notice of any changes will constitute your acceptance of such changes. You agree not to attempt to connect to the Site, to use the Services or to view any of the Information if you do not agree to the terms of this Agreement.

2. ELECTRONIC RECORDING

In connection with your use of the Services, you acknowledge and consent to the taping or any form of electronic recording of any communication, electronic or otherwise, between you and Citigroup Asset Management and its affiliates or their representatives or agents. You acknowledge and consent to the recording, retention and use by Citigroup Asset Management and its affiliates (and their employees, representatives and agents) of all information and data that you input during your use of the Services, including without limitation, all selections and uses of software, calculators and other tools included therein.

3. ELECTRONIC COMMUNICATION

The Services permit you to communicate electronically by sending an E-mail message to Citigroup Asset Management and its affiliates. Citigroup Asset Management and its affiliates shall not be liable for any actions taken or any omissions to act as a result of any E-mail message you send to Citigroup Asset Management and its affiliates or as a result of any E-mail message Citigroup Asset Management and its affiliates send to you.

4. PROPERTY RIGHTS IN INFORMATION AND SERVICES; COMPLIANCE WITH LAW

a. The Services and any Information provided through the Services are being provided by Citigroup Asset Management and its affiliates only for your personal, non-commercial use and display through the Computer. You may download the Information to the Computer and printout a hard copy for your personal reference or archive or store the Information in an electronic format for a period not to exceed 90 days, provided that you agree not to remove or alter any copyright or other proprietary notices contained therein. You agree not to modify, alter, abridge or otherwise change the Information and Services without the consent of Citigroup Asset Management and its affiliates.

b. The Services and the Information are the property of Citigroup Asset Management and its affiliates or their licensors and are protected by applicable copyright, patent, trademark or other intellectual property law. Except as expressly authorized herein, you may not reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate, or commercially exploit such Information or any of the Services provided in any manner (including electronic, print or other media known or hereafter developed) without the written consent of Citigroup Asset Management and its affiliates. You also agree not to use the Information or Services for any unlawful purpose, and you shall comply with any request of Citigroup Asset Management and its affiliates or any of the third party providers or licensors.
to protect their respective rights in the Information and Services.

c. Citigroup Asset Management and its affiliates are not providing investment or tax advice through the Site. The accuracy, completeness or timeliness of the Information contained on the Site cannot be guaranteed and is subject to change. Neither Citigroup Asset Management nor its affiliates nor any third party provider or licensor is under an obligation to update the Information to reflect circumstances that may occur after the earlier of the date first appearing on the Site or the date contained on the Information. You also acknowledge that neither the Services nor any Information will be used by you as tax or legal advice.

d. In the event you use the Services or the links included on the Site to gain access to a World Wide Web site or Internet location or source of information of any company, organization or person other than Citigroup Asset Management and its affiliates, or to any other Internet location, you acknowledge that such other sites or locations are not under the control of Citigroup Asset Management and its affiliates and agree that Citigroup Asset Management and its affiliates shall not be responsible for any information or other links found at any such World Wide Web site or Internet location or source of information, or for your use of such information. Citigroup Asset Management and its affiliates provide such links only as a convenience to you, and have not tested any software or verified any information found at such sites. The fact that Citigroup Asset Management and its affiliates have provided a link to another site does not signify an endorsement of the site or its contents by Citigroup Asset Management and its affiliates. There are inherent risks in the use of any software or information found on the Internet, and you acknowledge that you understand these risks before making any use of the Services.

e. Transmission or use of any material in violation of this Agreement, or any applicable law, rule or regulation (whether of the United States or other countries), or the rights of any third party is prohibited. This includes, but is not limited to, copyrighted material, material which is defamatory, threatening, obscene, lewd and indecent, material protected by trademark, trade secret, or patent laws, or material that results in an invasion of privacy.

5. WARRANTIES AND LIMITATION OF LIABILITY REGARDING THE SERVICES

a. The accuracy, completeness, sequence or timeliness of the information and services cannot be guaranteed. Citigroup Asset Management and its affiliates, agents and licensors shall not have any responsibility for direct, indirect, consequential, special, or other damages you may incur for any reliance by you on information or for the reliability, accuracy, completeness, sequence or timeliness thereof, or for any delays or errors in the transmission or delivery of any part of the information or services, or for any unauthorized use by you of e-mail.

b. You understand that Citigroup Asset Management and its affiliates do not guarantee that it will continue to make the information and services available to you, whether by the same methods currently used or otherwise. You agree not to hold Citigroup Asset Management and its affiliates, agents and licensors liable for any damages arising from a discontinuation or modification of all or part of the services or information.

c. Except as expressly set forth in this agreement, Citigroup Asset Management and its affiliates, agents and licensors hereby expressly disclaim all express and implied warranties, including without limitation, warranties of merchantability, fitness for a particular purpose, and error-free and uninterrupted services. Citigroup Asset Management and its affiliates, agents and licensors do not warranty, guaranty or make any representations or warranties whatsoever, express or implied, or assume any liability to you regarding (i) the use or the results of the use of the services, including without limitation any financial results based on use of the services or information or any delay or loss of use of the services, or (ii) system performance and effects on or damages to software and hardware in connection with any use of the site, services, and information.

d. In addition to and without limiting the foregoing, Citigroup Asset Management and its affiliates, agents and licensors shall not be liable for any harm caused by the transmission, through the services or information, of a computer virus, or other computer code or programming device that might be used to access, modify, delete, damage, corrupt, deactivate, disable, disrupt, or otherwise impede in any manner the operation of the services or any of your software, hardware, data or property.
e. In addition to and without limiting the foregoing, Citigroup Asset Management and its affiliates, agents and licensors make no representation and assume no liability regarding the quality, safety, accuracy, or suitability of any information or software found on any other site not under Citigroup Asset Management's and its affiliates' control.

f. Citigroup Asset Management and its affiliates, agents and licensors shall not be liable for any losses or damages incurred by you related in any way to your use of the services and information. Except as otherwise provided by law, Citigroup Asset Management and its affiliates, agents and licensors shall have no liability for losses caused by the negligence, actions or failure to act of the provider or any third party provider, and to the extent permitted by law, neither Citigroup Asset Management and its affiliates, agents and licensors nor the provider nor any third party provider shall be liable to you for any direct, indirect, special, incidental or consequential damages (regardless of whether such damages are reasonably foreseeable), or for any loss that results from a cause over which Citigroup Asset Management or any other such entity does not have control, including but not limited to failure of electronic or mechanical equipment, unauthorized access, strikes, failures of common carrier or utility systems, severe weather, or other causes commonly known as "acts of god".

6. CONFIDENTIALITY

Citigroup Asset Management and its affiliates shall use reasonable precautions to maintain the confidentiality of the information you may provide to Citigroup Asset Management and its affiliates and information you have created, input or developed in connection with your use of the Services, but because such information can be accessed through the Internet, you hereby acknowledge and agree that there can be no assurance that the information, any Information provided to you through the Services, or any communication through E-mail will remain secure. In addition, Citigroup Asset Management and its affiliates may disclose such information to their employees, representatives, officers, agents, and affiliates, as well as a governmental entity, the Provider or any other third party agent or service provider (a) for any purpose related to the conduct of Citigroup Asset Management’s and its affiliates’ business or to the offering, providing or maintaining of the Services, (b) to comply with applicable rules, orders, subpoenas or other legal process, or in order to give information to any government agency or official requesting such information, or (c) for any other legitimate business purpose.

7. GOVERNING LAW

This Agreement and all the terms herein shall be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

8. TERMINATION

Either you or Citigroup Asset Management and its affiliates may terminate this Agreement and your access to the Services at any time. Citigroup Asset Management and its affiliates may discontinue or change the Information or the Services, or their availability to you, at any time. Any violation or breach by you of any of the terms of this Agreement will be cause for Citigroup Asset Management and its affiliates to terminate your access to the Services without notice. Paragraphs 4, 5, 6, and 11 shall survive termination of this Agreement.

9. ASSIGNMENT

Resale and/or any commercial redistribution of the Services or Information is not permitted. This Agreement and your rights and obligations hereunder may not be assigned by you without the written permission of Citigroup Asset Management and shall inure to the benefit of Citigroup Asset Management’s successors and assigns whether by merger, consolidation or otherwise. Citigroup Asset Management may assign this Agreement or any of its rights or obligations under this Agreement to a company affiliated with, or a successor to or assignee of, Citigroup Asset Management, or to any other third party.

10. MISCELLANEOUS
a. This Agreement represents the complete and exclusive statement of the agreement and understanding between you and Citigroup Asset Management and its affiliates regarding your rights to access and use the Services and Information on the Site, and supersedes all prior and contemporaneous agreements and representations regarding such subject matter. Except as herein provided, no waiver, modification or amendment of any provision to this Agreement shall be effective against Citigroup Asset Management and its affiliates unless the same is in writing and signed by an authorized official of Citigroup Asset Management and its affiliates. Citigroup Asset Management and its affiliates may modify these terms and conditions at any time upon written notice or posting to the Site. You agree that if you use the Services after such notification of changes in the Agreement, you will be bound by all such changes. At the time of such modification, you will have the opportunity to reject such modification, which rejection shall constitute a termination of this Agreement and of your rights to access and use the Site, Services and Information. Should any term or provision of this Agreement be deemed or held to be invalid or unenforceable, the remaining terms and provisions shall continue in full force and effect.

b. Citigroup Asset Management's and its affiliates' failure to insist at any time upon strict compliance with any term of this Agreement, or any delay or failure on Citigroup Asset Management's and its affiliates' part to exercise any power or right given to Citigroup Asset Management and its affiliates in this Agreement, or a continued course of such conduct on Citigroup Asset Management's and its affiliates' part shall at no time operate as a waiver of such power or right, nor shall any single or partial exercise preclude any other future exercise. All rights and remedies given to Citigroup Asset Management and its affiliates in this Agreement are cumulative and not exclusive of any other rights or remedies which Citigroup Asset Management and its affiliates otherwise has at law or equity.

**11. INDEMNIFICATION**

You hereby indemnify and hold harmless Citigroup Asset Management and its affiliates (and their respective directors, officers, employees, control persons, vendors, licensors and agents), the sponsor of the college savings program referenced on this SITE, the Provider and any third party Information provider or licensor from and against any and all claims, losses, liabilities, damages, costs and expenses (including reasonable attorney's fees and costs) arising out of or related to your breach of your agreements, representations and warranties contained in this Agreement or your use of, or inability to use, the Services or Information. This indemnification shall be binding upon you and your executing heirs, successors and assigns.

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