

CollegeBoundfundSM

At last. A powerful way to save for a child's higher education.



CollegeBoundfundSM, sponsored by the state of Rhode Island, is a flexible college savings program that helps make saving for a child's higher education easier. Available to everyone — parents, grandparents, friends and family — it allows U.S. citizens and permanent residents to save today to meet the rising costs of higher education tomorrow.

A Tax-Advantaged College Savings Opportunity You Can't Pass Up

CollegeBoundfundSM offers you many benefits:

- ▶ **Tax-Free Earnings Growth** There is no federal income tax due on any earnings while they are in your CollegeBoundfundSM account. Some states may also allow the earnings to grow state tax free.* Distributions for qualified higher education expenses** are federal income tax free.***
- ▶ **No Income Limits** Everyone can invest in CollegeBoundfundSM because there are no income limits restricting who is eligible to contribute. Other college savings vehicles, such as the Coverdell Education Savings Account (formerly Education IRA), restrict individuals from investing if their income is more than a certain amount.
- ▶ **Regular Investment Program** By signing up to make automatic contributions to your CollegeBoundfundSM account, you can begin consistently saving for higher education. Automatic contributions make it easy to become a disciplined investor.
- ▶ **A Choice of Investment Options** Recognizing that each investor has a different approach to investing, CollegeBoundfundSM offers a choice of investment options. This menu of investment options allows you to choose the option that is most appropriate for your beneficiary's situation and your preferred investment approach.
- ▶ **Experienced Investment Management** Your investment in CollegeBoundfundSM is managed by Alliance Capital, one of the nation's largest publicly traded asset managers and one of the most experienced investment managers in the world, with \$455 billion in assets under management.†



Paul J. Tavares
General Treasurer



William H. Hurry
Executive Director

Investment Products Offered

- ▶ Are Not FDIC Insured
- ▶ May Lose Value
- ▶ Are Not Bank Guaranteed

* Check with your tax advisor to see how 529 plans are treated in your state for income tax purposes. If you are a resident of the state of Rhode Island, you do receive the benefit of state income tax-free earnings growth.

** Qualified expenses include tuition, fees, room and board, books and other supplies needed for attendance of a student at an institution of higher education. A 10% penalty or additional tax on the earnings withdrawn for non-qualified expenses will apply. Please see the Program Description for more specific information.

*** Under a "sunset provision," the tax-exemption for earnings on qualified withdrawals is scheduled to expire on December 31, 2010, unless extended by Congress. As with all tax-related decisions, consult with your tax advisor.

† As of December 31, 2001.



Flexible Features of CollegeBoundfundSM

- ▶ **Any Higher Education Institution in the U.S.** CollegeBoundfundSM assets can be used to pay for qualified expenses at any accredited institution of higher education in the country and some foreign institutions, including colleges, universities, graduate schools and most community colleges and vocational-technical schools.
- ▶ **Changing Beneficiaries** You can change the beneficiary of your account to any other member of the former beneficiary's family at any time without penalty. This is an important feature if your beneficiary decides not to attend college.
- ▶ **Withdraw Funds at Any Time** Withdrawals can be made from your account at any time. If the participant makes a withdrawal that is not used for qualified higher education expenses, the earnings will be taxed as ordinary income to the participant (not the beneficiary) and a 10% penalty or additional tax equal to 10% of the distributed earnings must be paid.
- ▶ **Special Gift and Estate Tax Treatment** Contributions to CollegeBoundfundSM are considered completed gifts for federal gift and estate tax purposes and are excludable from your taxable estate.* You can generally contribute up to \$55,000 for a beneficiary in a single year (\$110,000 for married couples) without federal gift tax consequences, provided you do not make any additional gifts to that beneficiary over a five-year period. As the participant, you (not your beneficiary) choose how the money is initially invested from the investment options available in the CollegeBoundfundSM program.

**Subject to an "add-back" rule in the event of the contributor's death within five years.*



Investment Options

Investment Options to Meet the Needs of Different Investors

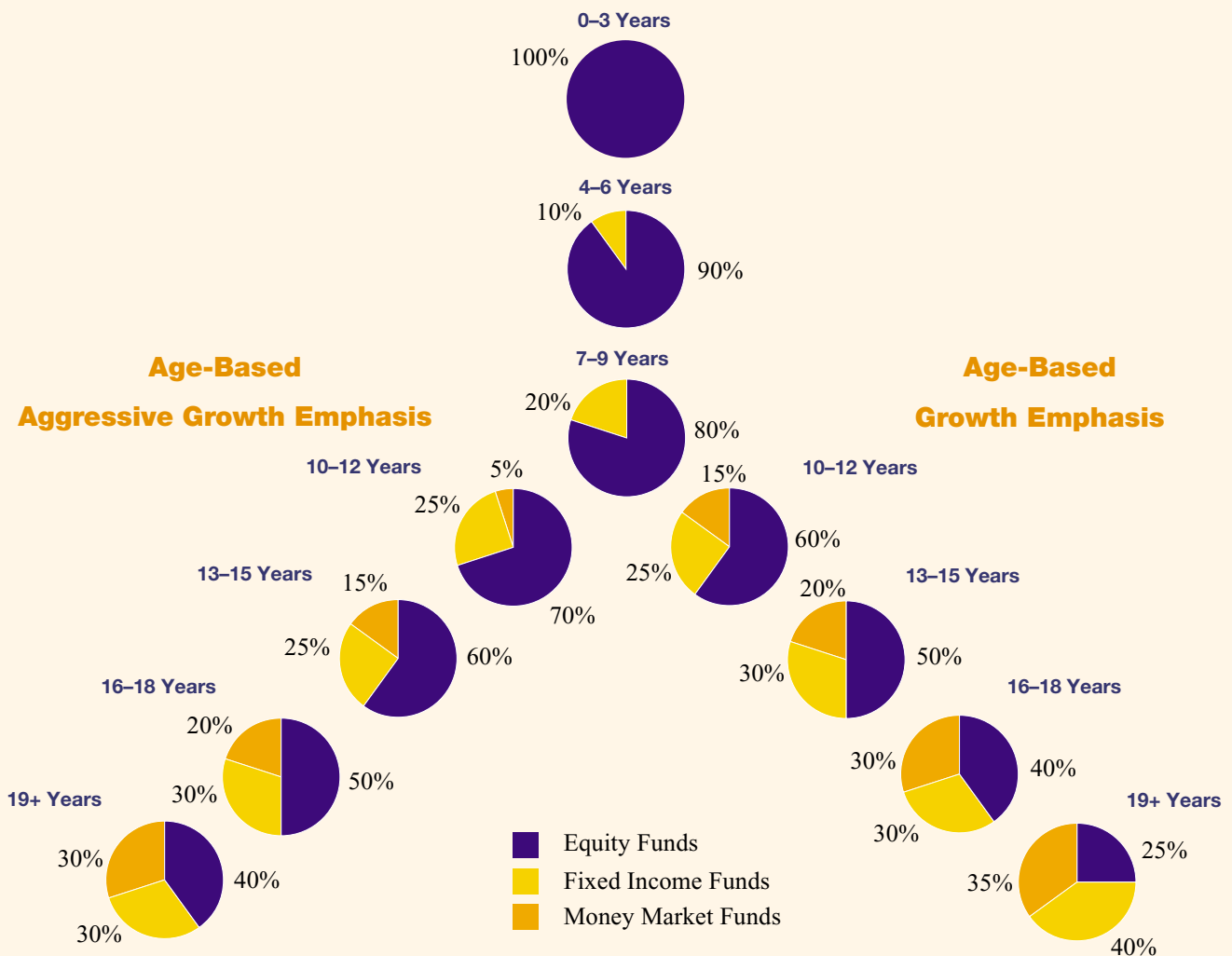
When you open your CollegeBound*fund*SM account, you may select from a variety of investment options, based on your beneficiary's specific situation and your preferred investment approach.

Age-Based Portfolios

These active asset allocation portfolios invest in a mix of equity, fixed income and money market funds. Based on the current age of the beneficiary, these allocations will change gradually over time, so that the closer the beneficiary gets to college age, the more conservative the allocation becomes. This also means that in the early years the allocation emphasizes investment in equity funds.

- ▶ **Aggressive Growth Emphasis** As the child gets older, this option is more heavily allocated to equity funds than the Age-Based Growth Emphasis option. When the child reaches college age, the allocation results in 40% equity funds, 30% fixed income funds and 30% money market funds.
- ▶ **Growth Emphasis** The allocation of this option is more heavily weighted in fixed income funds than the Age-Based Aggressive Growth Emphasis option as the child gets closer to college age. This Portfolio invests 40% in fixed income funds, 35% in money market funds and only 25% in equity funds when the child reaches college age.

The examples shown below demonstrate how the asset allocation of the Age-Based Portfolios might change as a child draws nearer to attending college at age 18.





Investment Options (continued)

Additional Portfolios

These asset allocation portfolios invest in a set mix of equity and/or fixed income funds or other fixed income or money market securities. The allocation will generally not change (like the Age-Based Portfolios) as the beneficiary nears college, but remains fixed throughout the beneficiary's life.*

- ▶ **Aggressive Growth Portfolio** The Aggressive Growth Portfolio invests in aggressive equity funds, including technology and international funds. The Portfolio was designed for those that prefer to take a more aggressive approach to investing, realizing that the potential for higher returns also comes with a higher level of risk.
- ▶ **Growth Portfolio** The Growth Portfolio also invests in equity funds only, however, some of the funds in which it invests are not as aggressive as the funds in which the Aggressive Growth Portfolio invests. For example, this Portfolio does not invest in technology funds. The Growth Portfolio has a high level of risk, particularly as the beneficiary nears college age.
- ▶ **Balanced Portfolio** The Balanced Portfolio invests in a set mix of 60% equity funds and 40% fixed income funds. The more conservative nature of this asset mix translates to a generally lower risk alternative, but also carries with it the potential for lower returns.
- ▶ **Principal-Protection Income Portfolio** The Principal-Protection Income Portfolio seeks to generate higher returns than most money market funds from a portfolio of fixed-income securities protected from fluctuations in value typically associated with bond funds. **

For more information about CollegeBoundfund™ contact your Benefits Department or a CollegeBoundfund™ representative at 888-324-5057 or log on to www.collegeboundfund.com.

** Note, however, that the program will review the Additional Portfolios' asset allocation periodically and may change them based on economic or other factors the program believes are relevant and in the best interest of the participant.*

*** The Principal-Protection Income Portfolio does not guarantee any particular rate of return. The Portfolio seeks to minimize fluctuations in the value of its investments by entering into contracts, known as wrapper agreements, with financial institutions such as banks and insurance companies. However, these wrapper agreements are subject to certain risks and do not guarantee any Participant's investment in the Portfolio. Although the Portfolio seeks to preserve the value of your investment, it is possible, under certain circumstances, to lose money by investing in this Portfolio. Please see the Program Description for more information.*

A Word About Risk

There is no guarantee that any investment portfolio will achieve its investment goals. The value of your CollegeBoundfund™ account will fluctuate, as the value of the mutual fund shares in which it invests fluctuate, so that your investment, when it is withdrawn, may be worth more or less than its original cost. For more complete information on CollegeBoundfund™, including a description of fees, expenses and risks, see the Program Description. You may obtain a Program Description by contacting Alliance Capital at (888) 324-5057 or www.collegeboundfund.com or by contacting your financial representative. You may want to ask your tax or financial advisor or your state tax division if your state offers a plan with additional tax benefits.

The investments in CollegeBoundfund™ are not guaranteed by the State of Rhode Island, the Rhode Island Higher Education Assistance Authority, the State Investment Commission or any instrumentality thereof.

Alliance Fund Distributors, Inc., the Principal Underwriter of Alliance mutual funds and an affiliate of Alliance Capital Management L.P., the manager of the funds, is a member of the NASD.