

Illinois College Savings Bonds are tax-exempt, zero-coupon bonds issued by the State of Illinois. These bonds are issued by the State to provide individual investors with a long-term investment to help fund college expenses. Since January 1988, the State has issued 12 series of the bonds with a total maturity value of \$4 billion. Thousands of Illinois families have invested in College Savings Bonds to save for their children's future college expenses. Sales are typically held in the fall.

These bonds are structured as zero-coupon bonds and pay no interest until maturity. Each bond is priced at a discount so that the original principal amount plus the accrued interest equals \$5,000 at maturity.

Illinois College Savings Bonds are general obligation bonds of the State of Illinois. The State's full faith and credit is pledged for the punctual payment of principal and interest on the bonds. The monies received by the State from the sale of the bonds are used to support the State's capital program.

The material in this website is for general information ONLY. This is not an offer to sell or a solicitation to buy the Illinois College Savings Bonds. Potential investors should consult with their personal tax advisor before making any tax-related investment decisions. Potential Investors also should review the Official Statement before making a decision to buy the Illinois College Savings Bonds.

Facts About Illinois College Savings Bonds

What are Illinois College Savings Bonds?

Illinois College Savings Bonds, which are tax-exempt, non-callable, zero coupon bonds, provide individual investors with a long-term investment option to help fund future college expenses. College Savings Bonds are issued in denominations of \$5,000 at maturity but are bought at a discounted price depending on the Bond's maturity date.

What are the advantages of investing in Illinois College Savings Bonds?

Interest on the College Savings Bonds is exempt from both federal and State of Illinois income taxes. In addition, families who use bond payments for expenses at colleges or universities in Illinois are eligible for an additional Bonus Incentive Grant, subject to an annual appropriation. This grant is equal to \$20 for each year the bond is held to maturity. For example, the grant for a 22-year bond would be \$440.

What are zero-coupon bonds?

Zero-coupon bonds are sold at prices discounted from their final maturity value. The interest income on Illinois College Savings Bonds is compounded every six months, but no interest is paid to the bondholder until the bond matures and principal is repaid as well. The cost of each bond is determined by the number of years until the bond matures as well as market conditions at the time of the sale. The bonds are structured so that the initial investment plus the accrued interest equal \$5,000 when the bond matures.

How much do College Savings Bonds cost?

The chart below illustrates the approximate dollar amount required to purchase a College Savings Bond paying \$5,000 at maturity at various interest rates or yields which, as described below, do not necessarily reflect the actual yields on the College Savings Bonds.

Years to Maturity	Yield*	Approximate	
		Initial Investment	Maturity Value
5 years	2.25%	\$4,500	\$5,000
	2.75%	\$4,390	\$5,000
10 years	3.25%	\$3,650	\$5,000
	3.75%	\$3,480	\$5,000
15 years	3.75%	\$2,890	\$5,000
	4.25%	\$2,690	\$5,000
20 years	4.25%	\$2,180	\$5,000
	4.75%	\$1,980	\$5,000

**NOTE: This chart is for illustrative purposes only. Yields do not necessarily reflect current market conditions. Actual yields and purchase prices will be set during the order period.*

What is the interest rate or yield on College Savings Bonds?

Actual interest rates and yields will be set at the time of the sale and the State cannot predict what rates will be offered in any upcoming sales.

Can I use the money paid to me from College Savings Bonds for purposes other than college expenses?

Although the State offers these bonds as a vehicle to save for college, College Savings Bond payments may be used for any purpose. However, the Bonus Incentive Grant is paid only if bond payments are used for expenses at a college or university located in Illinois. Regardless of the use of bond payments, interest income from the bonds is exempt from federal and State of Illinois income taxes.

What if my child or grandchild decides to attend college out of state?

The money paid at maturity of College Savings Bonds may be used for any purpose, including college expenses at out of state schools. However, the student will not qualify for the additional Bonus Incentive Grant unless the bond payments are used to pay for expenses at a college or university located in Illinois.

If my child or grandchild attends a college or university in Illinois, how do I apply for the additional bonus grant?

At the time the bond matures, you will need to contact the administrator of the Bonus Incentive Grant (BIG) Program, the Illinois Student Assistance Commission (ISAC), and request an application form. The application form can be accessed and downloaded from ISAC's website at www.collegezone.com or you may call their client services phone number, 1-800-899-4722. The bondholder and student beneficiary must certify that at least 70% of the bond proceeds were or will be used for educational expenses. At this time, expenses such as tuition and fees, room and board, books and supplies, child care expenses, laundry or travel may be counted. Both the proceeds of the bond(s) and the BIG assistance must be used by the student beneficiary in the academic year in which the bond matures or in the academic year immediately following maturity. Please consult your tax advisor regarding the tax consequences of grant payments.

Please note that the Bonus Incentive Grant is subject to appropriation. ISAC can only make payments if and when funding is available for this purpose.

Will purchasing College Savings Bonds affect a student's eligibility for other financial assistance programs?

As of January 1, 2005, state law prohibits exempting moneys held in college savings bonds from calculation of financial aid eligibility. Therefore, college savings bonds will be considered assets when determining financial aid eligibility.

Are Illinois College Savings Bonds a safe investment?

Illinois College Savings Bonds are a secure investment. College Savings Bonds are backed by the State's "full faith and credit" pledge, which means the State of Illinois guarantees that the principal and interest on the bonds will be paid. The State of Illinois has never defaulted on a general obligation bond payment. Bonus Incentive Grant payments are subject to State appropriation (approval) of funds. The Governor's FY05 recommended budget does not include an appropriation for the Bonus Incentive Grant

Are there bond ratings on the College Savings Bonds?

Yes. Currently, all outstanding general obligation bonds of the State, including all previously issued College Savings Bonds, are rated A3 by Moody's Investors Service, A- by Standard & Poor's and A- by Fitch Ratings.

How do I know if College Savings Bonds are the best investment for my family?

You should consult your investment advisor to determine whether College Savings Bonds are the best investment for your family. Zero coupon bonds are not designed for everyone, particularly those who do not intend to hold a bond to maturity.

How do I purchase College Savings Bonds?

The bonds cannot be purchased directly from the State. Illinois College Savings Bonds will be sold through brokerage firms across the State at the time of sale in the initial issuance by the State. Bonds previously issued by the State may be available from many brokerage firms across the State. The next sale has not been announced, but sales typically are held in the fall each year or every other year. This website will be updated at the time of a sale with the names of brokerage firms working with the State.

College Savings Bonds will not be available in 2004.

May I buy the bonds for children or grandchildren?

Yes. Contact your investment advisor for further information about making a gift of bonds. Generally, the bonds may be registered showing an adult as custodian for a minor, but cannot be registered in the name of the minor.

What happens if I want to sell a College Savings Bond prior to its maturity date?

Zero-coupon bonds such as the College Savings Bonds are subject to greater market volatility than traditional bonds that pay interest twice yearly. As a result, College Savings Bonds are designed to be held to maturity. However, through a broker, you may be able to sell the bond prior to maturity, but due to fluctuations in the market for zero-coupon bonds, you may not receive the full value of your investment and interest earnings to that point. There may be tax consequences as well if you sell the bond prior to maturity. Holders of the bonds should consult their tax advisors in the event of an early sale.

What are the tax consequences if I live or move out of state?

As described above, interest on the College Savings Bonds is exempt from both federal and State of Illinois income taxation, but may not be exempt from income taxes in other states. Investors who are residents of other states should consult their tax advisors.

What if I already own College Savings Bonds and want to get them paid at maturity, change the name that my bonds are registered in, or replace a lost bond?

If you currently own Illinois College Savings Bonds, you may get them paid when due, change the name the bonds are registered in, or replace lost bonds by contacting the bank paying agent which handles your issue of bonds. Paying agents are assigned to bond issues based on the original date (month and year) of issuance. Please find the original date of issuance of your bond under "Dated Date" on the face of your bond. Match this date with the corresponding date below. The appropriate bank paying agent and its contact information is then listed next to the date. The bank will need the name of the bondholder, the social security number of the bondholder and the CUSIP number on the bond, if available. To receive payment of a bond at maturity, send the bond via registered or certified mail or go to the walk-in address of the bank. Payment of bonds may not be immediately received. Bonds may also be presented for payment at the Treasurer's Office at 400 W. Monroe St., Suite 305, Springfield, IL 62704 or call 217-558-4141. (Please note, this information is for college savings bonds only; for similar information on non-college savings Illinois general obligation bonds, please call the Treasurer's Office at 217-558-4141 and for other State debt, call the Office of Management and Budget at 217-782-3548.)

What to present?

IF PAYEE IS REGISTERED BONDHOLDER:

Bonds presented for payment by mail or in person must include the following:

- ORIGINAL CERTIFICATE
- PROPERLY COMPLETED AND EXECUTED FORM W-9

Federal law requires the payor to withhold at the current rate of withholding from the payment if a certified tax payor (social security) number is not provided. Properly completed Form W-9 or exemption certificate must be furnished when presenting your securities. For your convenience a Form W-9 has been included with this notice.

If Payment is to be issued in the same name as the bonds are registered certificates **DO NOT** have to be endorsed

IF PAYEE IS OTHER THAN THE REGISTERED HOLDER:

- Certificate must be endorsed or accompanied by a separate bond power signed by the registered holder as the name on the original certificate appears
- Signature must be Medallion Stamp Guaranteed (Medallion Guarantee can be obtained at most bank branches)
- Appropriate Form W-9 (for the payee) must be executed and presented
- Payment instructions must be included

BONDS ISSUED AS CUSTODIANSHIP:

If payment is desired in same format as bond(s) are registered, (Custodian and Minor's name on check) please follow instructions above for payment to registered holder.

If Minor has reached age of majority (21) and wishes payment in their name only, the following must be supplied:

- Certificate must be endorsed or accompanied by a separate bond power signed by the minor as their name appears on the original certificate
- Signature must be Medallion Stamp Guaranteed (Medallion Guarantee can be obtained at most bank branches)
- Appropriate Form W-9 (for the payee) must be executed and presented
- Payment instructions must be included
- Certified copy of Birth Certificate (with original seal) must be included

PHOTOCOPIES OF BIRTH CERTIFICATE WILL NOT BE ACCEPTED

If certificates have been lost, stolen, mutilated or destroyed, please notify The Bank of New York Mellon Trust Company.

In writing via Registered or Certified Bank:

The Bank of New York

Mellon Trust Company

2nd FL CT OPS SICB

111 Sanders Creek PKWY

East Syracuse, NY 13057

By Overnight or Courier Mail:

The Bank of New York Mellon Trust Company

2nd FL CT OPS SICB

111 Sanders Creek PKWY

East Syracuse, NY 13057

Date of Issuance	Paying Agent	Mail-in	Walk-in
January 1988 November 1989 November 1990 September 1991 October 1992	The Bank of New York Mellon Trust Company, N.A. (800) 254-2826	The Bank of New York Mellon Trust Company, N.A. Global Corporate Trust P.O. Box 806398 Chicago, IL 60680-4125	The Bank of New York Mellon Trust Company, N.A. 2 North LaSalle St Bond Services Window Chicago, IL 60602 Hours: 8:00am-4:00pm CST

Date of Issuance	Paying Agent	Mail-in	Walk-in
October 1988	U.S. Bank N.A. (800) 934-6802	U.S. Bank Trust National Corporate Trust Services P.O. Box 64111 St. Paul, MN 55164-0111	U.S. Bank Trust National Association 111 Filmore 1st Floor - Bond Drop Window St. Paul, MN 55107

Date of Issuance	Paying Agent	Mail-in	Walk-in
October 1993 October 1994 November 1997 November 1998 October 2000 October 2002	U.S. Bank * (800) 934-6802	U.S. Bank P.O. Box 64111 Attn: Corporate Trust Services St. Paul, MN 55164-0111	U.S. Bank, N.A. 111 Filmore 1st Floor - Bond Drop Window St. Paul, MN 55107 Hours 8:00am - 1:00pm CST for receipt of payment same day.

*Note: U.S. Bank and National City Bank may not be able to process the transaction the same day. Please call to verify the bank's current procedures.

Effective November 1, 2004 the Corporate Trust Department of National City Bank merged with the Corporate Trust Department of US Bank.

If you have further question on outstanding Illinois College Saving Bond please call Bondholder Relations at (800) 254-2826 or (800) 934-6802 for The Bank of New York Mellon Trust Company, N.A. or U.S. Bank N.A., respectively. The Governor's Office of Management and Budget can not provide state or federal tax information or assistance regarding these bonds. Please contact your tax advisor for assistance regarding these bonds.