

## 2009 HAROLD ALFOND COLLEGE CHALLENGE GRANT

**Eligibility Requirements.** A one-time \$500 grant is available for every Maine baby to open a NextGen account. The child must be a Maine resident baby born on or after January 1, 2009, and must be named as the account beneficiary to a NextGen account before the child's first birthday. No initial or subsequent contributions are needed and no family income restrictions apply. The account owner must be at least 18 years of age. Only one Harold Alfond College Challenge Grant (Alfond Grant) will be awarded for each eligible child.

### Terms and Conditions:

1. To obtain an Alfond Grant the NextGen account owner must deliver the completed and signed NextGen Account Application (if this is a new account) to FAME for processing. FAME will forward the completed NextGen Account Application and initial contribution, if any, to the Program Manager for investing of funds.
2. The Alfond Grant will be considered the initial contribution into the NextGen account. No other contribution to the account is required, although additional contributions are encouraged.
3. Only one NextGen account per beneficiary is eligible to receive an Alfond Grant. In the event more than one individual opens a NextGen account for the same eligible baby, the first NextGen Account Application received by FAME will be awarded the Alfond Grant. In the event NextGen Account Applications are received on the same day, a NextGen account will be selected for awarding at the discretion of FAME.
4. NextGen accounts receiving an Alfond Grant may also receive NextGen Annual Matching Grants for subsequent contributions, if eligible. Amounts contributed through an Alfond Grant, including any earnings on the grant, are not considered when determining eligibility for and calculating of NextGen Annual Matching Grants.
5. No NextGen account or beneficiary may receive an Alfond Grant and a NextGen Annual Matching Grant in the same award year.
6. In the event a NextGen account is subsequently ineligible to receive matching grants, all Alfond grants allocated to the NextGen account will remain allocated to that NextGen account subject to Section 8 below.
7. The Alfond Grant, including any earnings on the grant, may not be transferred to another beneficiary and may not be rolled over to another state 529 plan.
8. The Alfond Grant, including any earnings on the grant, is forfeited in the following circumstances:
  - a. the NextGen account is closed; or
  - b. the NextGen account owner makes a lifetime transfer of the NextGen account to anyone other than the account beneficiary or the beneficiary's parent or guardian; or
  - c. the beneficiary dies; or
  - d. the Alfond Grant has not been used by the beneficiary's 28<sup>th</sup> birthday; or
  - e. the aggregate value of the Alfond Grant does not exceed \$50 for at least 18 months.

**Investment of Alfond Grant Funds:** All Alfond Grants will be invested at the discretion of the Alfond Scholarship Foundation. Neither the account owner nor the beneficiary has the ability to direct the investment of grants. Alfond Grants will be credited to NextGen accounts by FAME on at least a quarterly basis.

**Release of Information:** FAME may share the account owner's nonpublic personal information and information about NextGen account activity from time to time in order to conduct research to evaluate and improve the Harold Alfond College Challenge Grant, which may include publishing of aggregated non-personally identifiable information. FAME may also share such information with the Alfond Scholarship Foundation for its noncommercial charitable, educational and aspirational purposes.

## 2009 NEXTGEN INITIAL MATCHING GRANT

**Initial Matching Grant Eligibility Requirements.** A one-time \$200 grant is available to open a NextGen account with a minimum initial contribution of \$50. The NextGen account owner or account beneficiary must be a Maine resident and the account owner's family adjusted gross income\* for the previous calendar year was \$75,000 or less. The account owner must be at least 18 years of age. Only one NextGen Initial Matching Grant (Initial Grant) will be awarded per beneficiary.

\*Family adjusted gross income means the adjusted gross income as reported on the NextGen account owner's federal income tax return for the most recently completed tax year, or as reported on Form W-2 if the account owner and the account owner's spouse, if applicable, are not required to file a federal income tax return or through such other evidence acceptable to FAME.

### Terms and Conditions:

1. To receive an Initial Grant, the account owner must certify income eligibility on the NextGen Account Application or complete the *2009 NextGen Grant Certification* (Grant Certification), which must be received by FAME within twelve (12) months from the date the NextGen account was opened. The Initial Grant will be applied based on the income eligibility level in effect as follows: accounts opened in 2008 or 2009 are eligible if the account owner's family adjusted gross income for the previous calendar year was \$75,000 or less.
2. FAME will credit the grant to the NextGen account only after the account is opened and an account number is assigned.
3. Only one NextGen account per beneficiary is eligible to receive an Initial Grant. In the event more than one eligible individual opens a NextGen account for the same beneficiary, the first Grant Certification received by FAME will be awarded the requested grant(s). In the event multiple Grant Certifications are received on the same day, a NextGen account will be selected for awarding of the grant at the discretion of FAME.
4. NextGen accounts receiving an Initial Grant may also receive NextGen Annual Matching Grants for subsequent contributions, if eligible. Amounts contributed through an Initial Grant, including any earnings on the grant, are not considered when determining eligibility for and calculating of NextGen Annual Matching Grants.
5. No NextGen account or beneficiary may receive an Initial Grant and a NextGen Annual Matching Grant in the same award year.
6. No NextGen account or beneficiary may receive both an Initial Grant and a Harold Alfond College Challenge grant.
7. In the event a NextGen account is subsequently ineligible to receive matching grants, all matching grants allocated to the NextGen account will remain allocated to that NextGen account subject to Section 9 below.
8. The Initial Grant, including any earnings on the grant, may not be transferred to another beneficiary and may not be rolled over to another state 529 plan.
9. The Initial Grant, including any earnings on the grant, is forfeited in the following circumstances:
  - a. the NextGen account is closed; or
  - b. the NextGen account owner makes a lifetime transfer of the NextGen account to anyone other than the account beneficiary; or
  - c. the beneficiary dies; or
  - d. the NextGen account owner fails to contribute at least \$200 to the NextGen account within five years of receipt of an Initial Grant; or
  - e. The amount remaining in the NextGen account after the NextGen account owner makes a withdrawal is less than the amount which had been matched.

**Investment of Initial Grant Funds.** All grant funds will be invested at the discretion of FAME. Neither the account owner nor the beneficiary has the ability to direct the investment of grant funds. Initial Grants may be applied up to 120 days after receipt of the Grant Certification following contribution of the funds eligible to receive the grant.

**Use of Grant Funds.** A NextGen account owner may not withdraw Initial Grant amounts allocated to a NextGen account for twenty-four (24) months following the opening of the NextGen account. However, Initial Grant funds may be used twelve (12) months after the account has been opened if the account is opened by and for an individual participating in the Maine LiLA Program in conjunction with the Maine Department of Labor.

### **Initial Grants and Alford Grants, Generally**

**Ownership of Grant Funds.** Although allocated to a particular NextGen account, Initial Grants and Alford Grants are not the property of the account owner nor the beneficiary until withdrawn for qualified higher education expenses. Grant funds, including any earnings on grant funds, will be fully used before other contributions to the NextGen account or earnings thereon, if any, are used for qualified higher education expenses.

**Use of Grant Funds.** To use grant funds, the NextGen account owner must certify that such funds are being used for qualified higher education expenses on such form as required by FAME. If grant funds have been withdrawn prior to the determination that the withdrawal certification was fraudulent, FAME may off-set the amount fraudulently obtained from any funds remaining in the NextGen account.

**Tax Consequences.** Initial Grants and Alford Grants have been designed so that grants, including any earnings on grant funds, used for certain qualified higher education expenses will be treated as a scholarship as defined by the Internal Revenue Code. Grants can be used for tuition, fees, certain room and board expenses, books, supplies and equipment required for enrollment or attendance at eligible institutions. However, any portion of grants used as payment for room and board costs may be subject to federal and/or state income tax. Similarly, any portion of grant awards used to pay for qualified higher education expenses at schools not eligible for Title IV may not be eligible for federal and/or state tax-exempt treatment. Notwithstanding the design of the program, the Internal Revenue Service could take the position that grant awards are subject to federal income taxation in the year the grant is awarded or the year in which the funds are withdrawn. NextGen account owners and beneficiaries should consult their own tax advisor regarding the federal tax treatment of grant funds awarded.

**Verification.** Acceptance of grant funds is the account owner's authorization for FAME to undertake, at its discretion, investigation to verify that the NextGen account owner meets the program requirements. FAME reserves the right at all times to require evidence of eligibility to receive a grant and may conduct investigations to determine eligibility without obtaining additional consent from the NextGen account owner after a grant has been credited to a NextGen account. In the event a subsequent investigation reveals that the grant was obtained through misrepresentation or fraud, FAME shall revoke the grant.



Program Administrator

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**NextGen is Maine's Section 529 plan administered by the Finance Authority of Maine. Merrill Lynch is the Program Manager and underwriter.**

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*Maine babies can receive a \$500 Harold Alford College Challenge Grant to start a NextGen account!*

## **Harold Alford College Challenge Grant TERMS AND CONDITIONS**

January 1, 2009

*or*



*Income eligible Maine families can receive a \$200 Initial Matching Grant to start a NextGen account!*

## **NextGen<sup>®</sup> Initial Matching Grant TERMS AND CONDITIONS**

January 1, 2009

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Before investing you should carefully consider the investment objectives, charges, expenses and the risks of investing in the NextGen Plan. You should also consider whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 plan. Request a program description from your Maine bank or financial advisor or by calling FAME at 1-800-228-3734 and read it carefully.

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***Ask About NextGen Annual Matching Grants!***