



# Terms and Conditions of Maine Grant Programs 2017

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Please review the full Terms and Conditions for information about grant eligibility requirements and restrictions.

Visit [NextGenforME.com](http://NextGenforME.com) for most current information.

# Harold Alfond College Challenge Grant

## Terms and Conditions for NextGen Accounts

The Harold Alfond College Challenge (“HACC”) was established by the Alfond Scholarship Foundation (“ASF”). The Finance Authority of Maine (“FAME”) assists ASF with the administration of the HACC. ASF designates a \$500 grant to each eligible recipient (“Alfond Grant”), which is invested at ASF’s discretion. If a NextGen College Investing Plan (“NextGen”) account is opened naming an eligible recipient as the beneficiary of the account, the current value of the Alfond Grant may be linked to the account for reporting purposes, as follows. (See also HACC Guidelines available at [www.500forbaby.org](http://www.500forbaby.org)).

1. **Eligibility.** The Alfond Grant may be linked to a NextGen account naming the following as the beneficiary of the account:
  - A. A child born on or after January 1, 2013 who is reported by the Maine Bureau of Vital Records (“BVR”) as a Maine resident birth, and for whom the Alfond Grant has not already been linked to a NextGen account naming the child as the beneficiary of the account; or
  - B. A child born on or after January 1, 2013, who, if not reported by BVR as a Maine resident birth, can prove Maine residency at birth with documentation acceptable to FAME and ASF at account opening; or
  - C. A child who was not born a Maine resident, but for whom a NextGen is opened on or before the child’s first birthday, and the child is a Maine resident at the time of account opening.
2. **Important Information.**
  - A. Although linked to an account, neither the Alfond Grant nor any earnings thereon is, at any time, the property of the account owner or the beneficiary. ASF owns the grants, including any earnings thereon, until a permitted withdrawal for the qualified higher education expenses of the beneficiary.
  - B. Alfond Grants are invested by ASF in its sole discretion. Neither the account owner nor the beneficiary may direct the investment of the Alfond Grant.
  - C. Although initial contributions may be made when opening the NextGen account, no initial contribution is required for an account eligible to have the Alfond Grant linked to it.
  - D. Only one Alfond Grant is available per account beneficiary. In the event that more than one individual opens an account for the same child, the Alfond Grant will be linked to the first account opened. In the unlikely event that multiple accounts are opened on the same day, FAME, in its sole discretion, will select the account to which to link the Alfond Grant.
  - E. Account owners should allow up to 120 days for the Alfond Grant to be linked to the account.
  - F. The Alfond Grant may only be used to pay for qualified higher education expenses of the beneficiary and will only be paid to an eligible institution of higher education. “Qualified higher education expenses” and “eligible institution of higher education” are as defined in the Internal Revenue Code of 1986, as amended. If required by FAME or ASF, the account owner must certify that the grant is being used to pay for qualified higher education expenses of the beneficiary at an eligible institution of higher education.
  - G. The Alfond Grant should be fully used for qualified higher education expenses before other contributions to the account or any earnings thereon are used.

# Harold Alfond College Challenge Grant

## Terms and Conditions for NextGen Accounts (Continued)

- H. The Alfond Grant, including any earnings thereon, will no longer be linked to the account in the following circumstances:
- i. The account owner changes the beneficiary;
  - ii. The beneficiary dies;
  - iii. The grant has not been used by the beneficiary's 28th birthday;
  - iv. In the event of fraud or misrepresentation by the account owner;
  - v. The account is closed, including but not limited to rollover to another state's Section 529 plan. In certain circumstances, the beneficiary may still be eligible for the Alfond Grant. Contact FAME (at 1-800-228-3734) for more information.
- I. An account eligible to be linked to the Alfond Grant is not eligible for the Initial Matching Grant provided by FAME.
- J. If Alfond Grant funds are withdrawn from an account and the withdrawal is subsequently determined to have been fraudulent, FAME may off-set the amount fraudulently obtained from any funds remaining in the account.
- K. The owner of an account to which an Alfond Grant has been linked may reverse such linkage by contacting FAME (at 1-800-228-3734). Or, a NextGen Client Direct Series account opened through an electronic application process may decline linkage of the Alfond Grant during the account opening process. Non-refusal to link the Alfond Grant to an account constitutes the account owner's acceptance of these Terms and Conditions.
- L. FAME may provide non-personally identifiable account information to ASF.
- M. **ASF may at any time modify, suspend or terminate the Alfond Grant.**
3. **Default Investment Option.** A NextGen Client Direct Series Account Application submitted for an account eligible to be linked to the Alfond Grant, other than an application submitted through an electronic application process, will be accepted without investment option(s) selected. However, any contributions made to the account will be 100% allocated to and invested in the appropriate iShares Age-Based Portfolio, managed by BlackRock, unless and until a different investment allocation for existing and/or future contributions is directed by the account owner. An application submitted through an electronic application process will **not** be accepted without investment option(s) selected.
4. **Tax Consequences.** The Alfond Grant has been designed so that the grant, including any earnings, used for certain qualified higher education expenses will be treated as a scholarship as defined by the Internal Revenue Code. The Alfond Grant can be used for tuition, fees, certain room and board expenses, books, supplies and certain equipment. However, any portion of the grant used as payment for room and board costs may be subject to federal and/or state income tax. Similarly, any portion of the grant awards used to pay for qualified higher education expenses at schools not eligible for the Title IV financial aid may not be eligible for federal and/or state tax-exempt treatment. Notwithstanding the design for the grant program, the Internal Revenue Service could take the position that the grants are subject to federal income taxation in the year the grant is awarded or the year in which the funds are withdrawn. Awardees should consult their own tax advisor regarding the tax treatment of grant funds.

# Initial Matching Grant (IMG)

## Terms and Conditions

1. A \$200 IMG is only available to Maine accounts opened on or after January 1, 2011 with the minimum required initial contribution for a beneficiary not previously named as the beneficiary of a NextGen account.
2. Either the NextGen account owner or account beneficiary must be a Maine resident (Maine account) at the time the IMG is awarded.
3. Beneficiaries eligible for or who have received the Harold Alfond College Challenge Grant may not receive an IMG.
4. Limit one IMG per beneficiary. In the event multiple NextGen Account Applications are received on the same day for the same beneficiary, a NextGen account will be selected for the IMG award at the discretion of the Finance Authority of Maine (FAME).
5. FAME will credit the IMG to an eligible NextGen account only after the account is opened, account number assigned, and the minimum initial contribution is made to the account. It may take up to eight weeks to process the award. Once awarded to a NextGen account, the IMG remains allocated to that NextGen account subject to Section 7 below.
6. IMG funds, including any earnings, may not be transferred to another beneficiary.
7. IMG funds, including any earnings, are forfeited in the following circumstances:
  - A. The NextGen account is closed, including rollover to another state's Section 529 plan; or
  - B. The beneficiary dies; or
  - C. The amount remaining in the NextGen account after the account owner makes a non-qualified withdrawal is less than the amount that had been matched; or
  - D. In the event of fraud or misrepresentation by the account owner.
- 8) **FAME may, at any time, modify or terminate Initial Matching Grants.**

*See also:* Grants In General

# Automated Funding Grant (AFG)

## Terms and Conditions

1. Any Maine account that has not previously received the AFG, regardless of account opening date, is eligible for a one-time \$100 AFG after any automated funding service option available to NextGen accounts\* is or has been elected. The AFG will be awarded after the account has received six consecutive automated contributions, no less than quarterly in frequency. It may take up to eight weeks to process the award.
2. Either the account owner or account beneficiary must be a Maine resident (Maine account) at the time the AFG is awarded.
3. Once awarded, the AFG, and any earnings thereon, remains allocated to the NextGen account, subject to other provisions herein.
4. The AFG is limited to one per eligible account.
5. The AFG, including any earnings, is forfeited in the following circumstances:
  - A. The NextGen account is closed, including rollover to another state's Section 529 plan; or
  - B. The only amount remaining in the NextGen account after the account owner makes a non-qualified withdrawal is the AFG and any earnings thereon; or
  - C. In the event of fraud or misrepresentation by the account owner.
6. **FAME may, at any time, modify or terminate the AFG.**

\*Currently, automated funding may be in the form of electronic transfers from a bank account or employer payroll direct deposit. Automated contributions must be in at least the minimum amount required by FAME and the Program Manager. Minimum contribution amounts are subject to change.

See also: Grants In General

# NextStep Matching Grant (NMG)

## Terms and Conditions

1. Any Maine account, regardless of account opening date, is eligible for a 50 percent match on contributions made to the account, up to a \$300 match per year. A contribution is considered made when received and posted by the Program Manager. A contributor must allow sufficient time for mail and processing. The NMG will be awarded in the first quarter of a calendar year for the previous calendar year's contributions. An account must receive at least \$50 in contributions in a calendar year and have a balance of at least \$25 on the last business day of the calendar year to receive the match.
2. Either the account owner or account beneficiary must be a Maine resident (Maine account) at the time the NMG is awarded.
3. The NMG is limited to one per eligible beneficiary. Among multiple accounts for one beneficiary eligible for the NMG, the account which receives the first contribution will receive the NMG. If more than one account receives a contribution on the same day for the same beneficiary, FAME will assign the account to receive the NMG.
4. Once awarded, the NMG, and any earnings thereon, remains allocated to the NextGen account, subject to other provisions herein.
5. NMG funds, including any earnings, may not be transferred to another beneficiary.
6. NMG funds, including any earnings, are forfeited in the following circumstances:
  - A. The NextGen account is closed, including rollover to another state's Section 529 plan; or
  - B. The beneficiary dies; or
  - C. The amount remaining in the NextGen account after the account owner makes a non-qualified withdrawal is less than the amount that had been matched with the NMG; or
  - D. In the event of fraud or misrepresentation by the account owner.
7. Contributions received to qualify for the IMG (including the amount of the IMG) do not count toward the NMG.
8. **FAME may, at any time, modify or terminate the NMG.**

*See also:* Grants In General

# Grants in General

Grants In General are part of the Terms and Conditions and apply to the Initial Matching Grant, the Automated Funding Grant and the NextStep Matching Grant.

**Investment of 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.

**Ownership of Grant Funds:** Although allocated to a particular NextGen account, grant funds are not the property of the account owner or the beneficiary and may only be withdrawn for qualified higher education expenses at an eligible institution of higher education. Grant funds will only be payable to an eligible institution of higher education on behalf of the beneficiary. 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, as required by FAME. If grant funds are withdrawn and the withdrawal is subsequently determined to have been fraudulent, FAME may off-set the amount fraudulently obtained from any funds remaining in the NextGen account.

**Tax Consequences:** Grant awards have been designed so that the grant, including any earnings, 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 certain equipment. 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 financial aid may not be eligible for federal and/or state tax-exempt treatment. Notwithstanding the design of the grant programs, 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 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 or beneficiary 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 may revoke the grant.

**Refusal:** The account owner of an eligible NextGen account who does not wish to receive any grant automatically awarded to an account must contact FAME in writing to request that the grant not be awarded (if the request is received prior to awarding) or that the grant funds and any earnings be rescinded (if the request is received after the grant has been awarded).

**Not Eligible:** Grants will not be awarded to accounts established as scholarship accounts by state or local governments or 501(c)(3) organizations.



## **NextGen College Investing Plan<sup>®</sup>**

c/o Finance Authority of Maine

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Augusta, Maine 04332

Phone: 1-800-228-3734

TTY: 207-626-2717

FAX: 207-213-2662

Email: [NextGen@FAMEmaine.com](mailto:NextGen@FAMEmaine.com)

Web: [NextGenforME.com](http://NextGenforME.com)

*NextGen is a Section 529 plan administered by the Finance Authority of Maine (FAME). Before you invest in NextGen, request a NextGen Program Description from your Merrill Lynch Financial Advisor or Maine Distribution Agent or call Merrill Edge at 1-877-463-9843 and read it carefully. The Program Description contains more complete information, including investment objectives, charges, expenses and risks of investing in NextGen, which you should carefully consider before investing. You also should consider whether your or your designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's Section 529 plan. Merrill Lynch, Pierce, Fenner & Smith Incorporated, a registered broker-dealer, member SIPC, is the program manager and underwriter.*