Dream Big.
Plan Ahead.

NextGen College Investing Plan®

TERMS AND CONDITIONS FOR MAINE GRANT PROGRAMS

Effective January 1, 2011

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

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HELP MAKE **THE DREAM** A REALITY!

Harold Alfond College Challenge Grant

A one-time $500 Harold Alfond College Challenge Grant (Alfond Grant) is available to all Maine resident babies until their first birthday to open a NextGen account, regardless of family income.

Eligibility Criteria

- A NextGen account must be opened and the child must be named as the account beneficiary on or before the child's first birthday; and
- The account owner must accept the Alfond Grant offer on or before the child's first birthday; and the child must be a Maine resident at the time the Grant Acceptance is submitted to FAME.

Awarding Process

FAME will credit the Alfond Grant to the NextGen account only after the account is opened and account number assigned and the Grant Acceptance is received at FAME. The Alfond Grant will be considered the initial contribution into the NextGen account.

Terms and Conditions

1) To obtain an Alfond Grant, a NextGen account must be opened and the child must be named as the account beneficiary on or before the child's first birthday; and the account owner must accept the Alfond Grant offer ("Grant Acceptance"). The child must be a Maine resident at the time the Grant Acceptance is submitted to the Finance Authority of Maine (FAME). The Grant Acceptance and NextGen Account Application (if this is a new account) must be received at FAME on or before the child's first birthday.

2) The Alfond Grant will be considered the initial contribution into the NextGen account. No other contribution to the account is required.

3) An eligible child may receive only one Alfond Grant. In the event more than one individual opens a NextGen account for the same child, the Alfond Grant will be awarded to the first account that submits the Grant Acceptance to FAME. In the event multiple Grant Acceptances are received on the same day for the same beneficiary, a NextGen account will be selected for awarding of the grant at the discretion of FAME.

4) Once awarded to a NextGen account, the Alfond Grant remains allocated to that NextGen account subject to Section 6 below.

5) The Alfond Grant, including any earnings on grant funds, may not be transferred to another beneficiary and may not be rolled over to another state Section 529 plan.

6) 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 28th birthday; or

e) the aggregate value of the Alfond Grant does not exceed $50 for at least 18 months; or

f) in the event of fraud or misrepresentation by the account owner.

Default Investment Option: A NextGen Client Direct Series Account Application submitted for the purpose of obtaining 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.

Release of Information: Acceptance of grant funds is the account owner's authorization that FAME may share an Alfond Grant 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 Alfond 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.

See also: Grants, In General

NextGen Initial Matching Grant

Terms and Conditions

1) Either the account owner or account beneficiary must be a Maine resident (Maine Account) at the time the IMG is awarded.

2) The IMG is only available to Maine Accounts opened on or after January 1, 2011 with a minimum initial contribution of $50 for a Maine resident beneficiary not previously named as such on an account and who is older than one year old; or for a non-Maine resident beneficiary not previously named as such on an account regardless of age.

3) Beneficiaries eligible for the Harold Alfond College Challenge Grant may not receive an IMG.

4) Limit one IMG per beneficiary. If more than one account is opened for the same beneficiary after January 1, 2011, the NextGen account opened first will receive the IMG award. In the event multiple NextGen Account Applications are received on the same day, a NextGen account will be selected for the IMG award at the discretion of FAME.

5) 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 and may not be rolled over to another state Section 529 plan.

7) IMG funds, including any earnings, are 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 amount remaining in the NextGen account after the NextGen account owner makes a withdrawal is less than the amount that had been matched; or

e) in the event of fraud or misrepresentation by the account owner.

8) The Finance Authority of Maine may at anytime modify or terminate Initial Matching Grants.

See also: Grants, In General

NOTE: To receive an IMG for a Maine Account opened prior to January 1, 2011, the Addendum to the NextGen Account Application must be received by the Finance Authority of Maine (FAME) within twelve months from the date the account is opened and the account owner's family adjusted gross income in the previous calendar year must not be greater than $75,000.

Maine Accounts opened on or after January 1, 2011 are eligible for a one-time $200 Initial Matching Grant (IMG), regardless of family income.

Eligibility Criteria

- The NextGen account is opened on or after January 1, 2011; and
- Either account owner or account beneficiary is a Maine resident at the time the IMG is awarded; and
- The account beneficiary is not named as a beneficiary on another NextGen account; and
- The account beneficiary is not eligible for the Harold Alfond College Challenge Grant; and
- The NextGen account is opened with a minimum $50 contribution.

Awarding Process

FAME will credit the IMG Grant to an eligible NextGen account only after the account is opened and account number assigned and a minimum initial contribution of $50 is made to the account.

NextGen Automated Funding Grant

Maine Accounts opened on or after January 1, 2011 are eligible for a one-time $50 Automated Funding Grant (AFG) when any automated funding service option is elected, regardless of income.

Eligibility Criteria

- The NextGen account is opened on or after January 1, 2011; and
- The account owner or account beneficiary is a Maine resident at the time the AFG award is made; and
- The account beneficiary is not already named as a beneficiary on another NextGen account.

Awarding Process

FAME will credit AFG awards to eligible Maine Accounts only after an automated funding option has been elected and an automated funding contribution has been made to the account.

Terms and Conditions

1) Either the account owner or account beneficiary must be a Maine resident (Maine Account) at the time the AFG is awarded.

2) Only a Maine Account opened on or after January 1, 2011 for a beneficiary not previously named as such on an account, which uses any automated funding service option available to NextGen accounts is eligible for a one-time $50 AFG.

3) Limit one AFG per beneficiary. If more than one eligible account for the same beneficiary has elected an automated funding option, the eligible account with the earliest account opening date will have priority over any other account opened for the same beneficiary.

4) Once awarded to a NextGen account, the AFG remains allocated to that NextGen account subject to Section 6 below.

5) AFG funds, including any earnings, may not be transferred to another beneficiary and may not be rolled over to another state Section 529 plan.

6) AFG funds, including any earnings, are 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 amount remaining in the NextGen account after the NextGen account owner makes a withdrawal is less than the grant amount; or

e) in the event of fraud or misrepresentation by the account owner.

7) The Finance Authority of Maine may at anytime modify or terminate Automated Funding Grants.

See also: Grants, In General

Automated funding may be in the form of electronic transfers from a bank account or employer payroll direct deposit. Automated contributions must be at least $50 monthly per account.

NextStep Matching Grant

Terms and Conditions

1) Either the account owner or account beneficiary must be a Maine resident (Maine Account) at the time the NMG is awarded.

2) Only a Maine Account opened on or after January 1, 2011 for a beneficiary not previously named as such on an account, receiving contributions of at least $50 in a calendar year is eligible to receive a one-third match on contributions made to the account within the first 24 months of account opening up to a maximum award of $400.

3) The account is only eligible to receive NMG awards for a period not to exceed 24 months, provided that the eligible account may not receive more than $100 in the first six month period, $200 minus any amount previously awarded in the second six month period, $300 minus any amount(s) previously awarded in the third six month period, or $400 in the aggregate.

4) Limit one NMG per beneficiary. If more than one account is opened for the same beneficiary after January 1, 2011, the NextGen account opened first will receive the NMG award. In the event multiple NextGen Account Applications are received on the same day, a NextGen account will be selected for the NMG award at the discretion of the Finance Authority of Maine (FAME).

5) None of the amounts contributed that obtained a matching grant, amounts received through a matching grant or earnings on a matching grant are considered when determining NMG awards.

6) Once awarded to a NextGen account, NMG funds remain allocated to that NextGen account subject to Section 8.

7) NMG funds, including any earnings, may not be transferred to another beneficiary and may not be rolled over to another state Section 529 plan.

8) NMG funds, including any earnings, are 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 amount remaining in the NextGen account after the NextGen account owner makes a withdrawal is less than the amount which had been matched; or

e) in the event of fraud or misrepresentation by the account owner.

9) The Finance Authority of Maine may at anytime modify or terminate NextStep Matching Grants.

See also: Grants, In General

Maine Accounts opened on or after January 1, 2011 are eligible for a NextStep Matching Grant (NMG), which provides a one-third match on contributions made to the account within the first 24 months of account opening, up to a maximum total award of $400, regardless of family income.

Eligibility Criteria

- The NextGen account is opened on or after January 1, 2011; and
- The account owner or account beneficiary is a Maine resident at the time the NMG award is made; and
- The account beneficiary is not already named as a beneficiary on another NextGen account.

Awarding Process

FAME will make NMG awards totaling one-third of contributions made to eligible accounts within the first 24 months of account ownership. Awards will be applied by FAME at least every six months. Eligible accounts can receive awards of up to $100 in the first six month period, up to $200 minus any amount previously awarded in the second six month period, up to $300 minus any amount(s) previously awarded in the third six month period, or $400 in the aggregate.

Grants, in General

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

Investment of Grant Funds: All grant funds will be invested at the discretion of FAME, except that 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 grant funds. Grant awards will be applied by FAME at least every six months.

Ownership of Grant Funds: Although allocated to a particular NextGen account, grant funds are not the property of the account owner or 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 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 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 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.

Refusal: The account owner for 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).

Benefits for Maine Residents

Maine Administration Fee Rebate Program

If either the NextGen account owner or the account beneficiary is a Maine resident, an amount approximately equal to the Maine Administration Fee paid during the year will be automatically rebated to eligible accounts in the following year. To qualify, on the last business day of the calendar year the account must have a balance of at least $1,000 and must be invested in a Portfolio subject to the Maine Administration Fee.

State Tax Deduction

Individuals who file Maine state income tax returns and make contributions to any state's 529 plan during the year may deduct up to $250 per beneficiary. The taxpayer must have a federal adjusted gross income of $100,000 or less ($200,000 or less for joint filers or heads of household).

Maine LiLA Program

The Maine LiLA (Lifelong Learning Accounts) program allows an employer the ability to provide matches to NextGen accounts to help an employee finance lifelong learning. The Maine Department of Labor, in partnership with FAME and others, established the Maine LiLA Program to help Maine workers upgrade their skills and education while meeting the demands of businesses for a skilled workforce. The Maine LiLA Program also provides free advising services to employees to assist in education and career planning.

Account Maintenance Fee Waived

The annual account maintenance fee is waived on accounts when either the account owner or the account beneficiary is a Maine resident.

NextGen Investments in Maine

A percentage of the cash portion of the NextGen Investment Fund is invested in Certificates of Deposit at Maine financial institutions to help grow Maine's economy.

Direct Deposit Maine Income Tax Refunds

Maine taxpayers have the ability to make a contribution to their NextGen account by requesting a direct deposit of their Maine income tax refund.

NextGen Investments in Maine Students

FAME has opened NextGen accounts to provide scholarships to eligible Maine students as well as to certain individuals in Maine's incumbent workforce seeking to save for additional education, including training and retraining.

For more information contact:

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FINANCE AUTHORITY OF MAINE

Business & Education at Work for Maine

Program Administrator

NextGen is a Section 529 Plan administered by the Finance Authority of Maine

Before you invest in NextGen, request a NextGen Program Description from your Maine bank or financial advisor, or call the Finance Authority of Maine at 1-800-228-3734 and read it carefully. The Program Description contains more completed 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 home state or your beneficiary's home state offers any state tax or other benefits that are only available for investments in such stae's 529 plan. Merrill Lynch, Pierce, Fenner & Smith Incorporated, a registered broker-dealer, member SIPC, is the program manager and underwriter.

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