

CollegeBoundfund®

MATCHING GRANT PROGRAM



Matching Grant Program Description

General

Any participant owner of a CollegeBoundfund® account who made contributions to such account during the previous tax year and meets the CollegeBoundfund Matching Grant Program eligibility requirements is eligible to receive a CollegeBoundfund Matching Grant. The matching grant award is based on the contributions made by the participant owner to his or her CollegeBoundfund account for the Beneficiary, and eligibility is determined by income. Matching grants are awarded by the Rhode Island Higher Education Assistance Authority (RIHEAA) based on the CollegeBoundfund participant's application submitted to RIHEAA.

Program Terms

Beneficiary—The Beneficiary must be a dependent of the CollegeBoundfund Participant and meet the age eligibility requirements specified below.

CollegeBoundfund Participant—A CollegeBoundfund Participant is an individual who is the owner of a CollegeBoundfund account for the Beneficiary.

Applicant—The Matching Grant Applicant must be a Rhode Island resident who is a CollegeBoundfund Participant and can claim/declare the Beneficiary of the account as a dependent for tax purposes.

Matching Grant Funds—Matching grant funds are funds invested into a separate Matching Grant account (maintained by RIHEAA) for the Beneficiary to match the Participant's yearly contribution to the Beneficiary's CollegeBoundfund account for a specific tax year. These matching grant funds are to be used for payment to a higher education institution when the Participant submits a request to RIHEAA.

Median Income—These guidelines are updated regularly and RIHEAA uses the most recent information available to set limits. Please call 1.866.348.3836 for the most up to date information.

Rhode Island Higher Education Assistance Authority (RIHEAA) and Rhode Island State Investment Commission (SIC)—RIHEAA is a governmental agency of Rhode Island established to administer programs of post-secondary student financial assistance.

The SIC is a governmental commission of Rhode Island which has oversight responsibility for the investment of public funds as well as the assets of the Matching Grants. Together RIHEAA and SIC administer and have overall responsibility for the CollegeBoundfund Matching Grant Program.

Participant eligibility

- Applicant (parent or guardian) must be the owner of a *CollegeBoundfund* account and a RI resident.
- Applicant must be able to claim/declare the Beneficiary as a dependent for tax purposes.
- Age eligibility of Beneficiary—the Participant must open a *CollegeBoundfund* account for the Beneficiary at or before the age of 10 to be eligible for matching grant funds. The Beneficiary may receive matching grant funds for a total of five (5) consecutive years. Therefore, the Beneficiary is eligible to receive matching grant funds past the age of 10 (up to a total of five (5) consecutive years) if the *CollegeBoundfund* account was opened at or before the age of 10.
- Applicant must meet the income guidelines established for the contribution year and provide verification of the family's Adjusted Gross Income (AGI) by submitting the Matching Grant Applicant's federal income tax return for the most recently completed tax year and/or any other evidence required by RIHEAA. The application for *CollegeBoundfund* Matching Grants and documentation of the family's AGI is due to RIHEAA by April 30.

Amount of award—The *CollegeBoundfund* Matching Grant Program will match the Applicant's contribution to (his or her) *CollegeBoundfund* account up to the first \$500 contributed annually, subject to availability of funds. If RIHEAA determines that there are not adequate funds available to provide maximum awards to all Applicants, the maximum amount to be matched would be reduced proportionately preserving the \$2 for \$1 and \$1 for \$1 match ratios.

- The annual maximum award for a \$1 for \$1 participant contribution match is \$500.
- The annual maximum award for a \$2 for \$1 participant contribution match is \$1000.

Duration of eligibility for Participant and Beneficiary

—The Applicant is eligible for five (5) consecutive years of matching grants if the following conditions are met:

- The Applicant applies for matching grant funds each year by April 30 for the previous tax year.
- The Applicant's family AGI continues to fall within the guidelines of the program requirements.
- The Applicant can continue to claim the Beneficiary as a dependent.
- The Applicant remains a resident of Rhode Island.
- The Applicant contributes to the *CollegeBoundfund* account each year the Applicant applies for *CollegeBoundfund* Matching Grants.
- The *CollegeBoundfund* account must have been opened for the Beneficiary and the Beneficiary shall have satisfied the age criteria (see participant eligibility section) for matching grant contributions.

To be eligible to apply for CollegeBoundfund Matching Grant Funds—the Applicant must open and make contributions to a CollegeBoundfund account for the Beneficiary and the Applicant must be a CollegeBoundfund Program Participant.

Deadline for the CollegeBoundfund Matching Grant—Matching Grant funds are available to match Participant contributions made in the previous tax year. CollegeBoundfund Participants who may be eligible to receive matching grant funds for the previous tax year must apply for such funds by April 30. All applications must be postmarked no later than April 30. For example, a Participant applying for matching grant funds for tax year 2010 must submit an application postmarked by April 30, 2011—similar to the federal and state tax filing cycle.

Application period and process—A CollegeBoundfund Matching Grant Application is included in every packet containing the Matching Grant brochure and the Program Description. If the Participant misplaced or did not receive an application, he/she may request a CollegeBoundfund Matching Grant Application by calling 1.866.348.3836. Applications for the Matching Grant Program will be accepted between January 2 and April 30 for the previous tax year. Applicants must complete the CollegeBoundfund Matching Grant Application, attach the Applicant's federal income tax return for the eligible tax year and/or any other

information required by RIHEAA and submit the application by the previously stated deadline. The Participant/Beneficiary eligibility for an award will be determined by RIHEAA. If the Applicant's application is accepted, the Applicant will be notified and a separate CollegeBoundfund Matching Grant account will be set up in the beneficiary's name (see additional details below about the CollegeBoundfund Matching Grant account). If the Applicant or Beneficiary is deemed ineligible and the application is rejected, the Applicant will be notified by RIHEAA. Any CollegeBoundfund Participant who fails to apply for matching grant funds by the deadline shall be ineligible to receive funds for the previous tax year, but may apply for future matching grant funding provided the Participant and Beneficiary shall have satisfied the participant eligibility requirements (see participant eligibility section).

Use of matching grant funds and withdrawals from account—Payments from matching grant accounts will be made directly to institutions of higher education upon receipt of a properly authorized request for withdrawal to CollegeBoundfund from the individual originally entitled to claim the Beneficiary as a dependent. Payments shall be applied solely toward any qualified higher education expenses consistent with the provisions of Section 529 of the Internal Revenue Code (as amended periodically) and are considered qualified withdrawals. Any withdrawal from the Participant's

CollegeBound*fund* account that is not considered a qualified withdrawal under the Internal Revenue Code is deemed a non-qualified withdrawal. In the event the Participant makes a non-qualified withdrawal from his/her CollegeBound*fund* account funds in the matching grant account are subject to reduction depending on the amount withdrawn. Upon the receipt of a properly authorized request for withdrawal, payments to an institution of higher education will be drawn down proportionately between the Participant's CollegeBound*fund* account and the CollegeBound*fund* Matching Grant Account established for the Beneficiary.

Participant's/Matching Grant Applicant's CollegeBound*fund* Account vs. CollegeBound*fund* Matching Grant Account

—By enrolling in the CollegeBound*fund* Matching Grant program, there will be two (2) active accounts for the Beneficiary:

Participant's/Matching Grant Applicant's CollegeBound*fund* account—The CollegeBound*fund* Participant opens and maintains control of his/her CollegeBound*fund* account. The Participant chooses investment options and determines when and if CollegeBound*fund* funds are disbursed according to section 529 of the Internal Revenue Service (IRS) code. His/her CollegeBound*fund* account is governed by the rules set forth in the CollegeBound*fund* Program Description published by the Program Manager, AllianceBernstein, L.P. See CollegeBound*fund* Program Description for details.

CollegeBound*fund* Matching Grant Account—The Matching Grant Account is a separate account opened and maintained by RIHEAA. This account is governed by the rules and regulations for the CollegeBound*fund* Matching Grant Program. The Matching Grant Applicant verifies that he/she has read the CollegeBound*fund* Matching Grant Program Description when applying for matching grant funds and agrees to all the conditions for that account set forth by RIHEAA. Matching grant funds are deposited into a Matching Grant account for a designated Beneficiary and are invested by RIHEAA. RIHEAA is the participant of this account and the account funds are maintained by RIHEAA for the Beneficiary. Matching Grant account funds will be invested into the CollegeBound*fund* Principal-Protection Income Portfolio (PPI). See CollegeBound*fund* Program Description for more details about PPI. RIHEAA, at its sole discretion and without notice to or approval from the Beneficiary or Participant, reserves the right to change investment options for the Matching Grant account funds. See details below outlining additional differences between accounts.

Additional differences between Participant's/ Matching Grant Applicant's CollegeBoundfund account and the CollegeBoundfund Matching Grant account:

Change in Beneficiary

- The Participant may change the beneficiary for his/her CollegeBoundfund account in accordance with CollegeBoundfund program guidelines. See CollegeBoundfund Program Description for details.
- The Beneficiary for the RIHEAA-maintained CollegeBoundfund Matching Grant account cannot be changed except in the event of Beneficiary death or disability. See revocation of funds section.

Withdrawals From Account

- The Participant may make qualified and non-qualified withdrawals from his/her CollegeBoundfund account in accordance with program guidelines. See CollegeBoundfund Program Description for details.
- The RIHEAA-maintained CollegeBoundfund Matching Grant account funds will be disbursed by RIHEAA for qualified education expenses only.

Portfolio Options

- The Participant can choose any portfolio option offered by AllianceBernstein Investments for his/her CollegeBoundfund account. See CollegeBoundfund Program Description for details.
- Neither the CollegeBoundfund Matching Grant Participant nor Beneficiary has the authority to choose the investment options for Matching Grant account funds because the Matching Grant

account is owned and maintained by RIHEAA. RIHEAA will invest all matching grant funds in a CollegeBoundfund Matching Grant account for the Beneficiary in the CollegeBoundfund Principal-Protection Income Portfolio (PPI). RIHEAA, at its sole discretion and without notice to or approval from the Beneficiary or Participant, reserves the right to change investment options for the Matching Grant account funds.

Revocation of Funds—In the event there is no qualified withdrawal from the Beneficiary's CollegeBoundfund Matching Grant account within a reasonable time after the account Beneficiary is eligible for such withdrawal, RIHEAA shall revoke the matching grant award. Appeals to reinstate funding may be submitted to RIHEAA and a determination will be made by RIHEAA. In the event of Beneficiary death or disability, Matching Grant account funds may be transferred to another beneficiary by submitting a request to RIHEAA, if RIHEAA approves the request.

Public Assistance Consequences—Determining the effect of the Matching Grant account and the CollegeBoundfund account on eligibility for public assistance programs is the responsibility of the CollegeBoundfund Participant/Matching Grant Applicant. The Participant/Applicant should consult a qualified advisor to determine how a college savings plan and/or an award may affect eligibility for state and/or federal benefits.

Tax Advantages and Consequences

Participant's/Matching Grant Applicant's CollegeBoundfund Account—To learn about tax advantages and consequences for the Participant's/ Matching Grant Applicant's CollegeBoundfund account, please refer to the CollegeBoundfund Program Description.

The CollegeBoundfund Matching Grant Account— Since a separate Beneficiary account is opened with Beneficiary information and RIHEAA is considered the Participant /owner of this account, there is no tax liability to the Matching Grant Applicant or the Beneficiary with respect to this account before withdrawals are made.

As of November 2002, college savings plan investments and earnings, and education matching grant awards are not subject to taxation when paying for qualified education expenses under section 529 of the IRS code. However, the Internal Revenue Service could take the position that matching grant awards are subject to federal income taxation in the year the grant is awarded. CollegeBoundfund Participants and Beneficiaries should consult a qualified tax professional regarding the federal and/or state tax treatment of matching grants and college savings plan investments and earnings.

Income and program eligibility verification—In the event it is revealed that any false information was provided by the Applicant including, without limitation, with respect to income, RIHEAA shall immediately revoke the matching grant award.

Funding for CollegeBoundfund Matching Grant Program—Due to the success of CollegeBoundfund, the CollegeBoundfund Matching Grant Program is funded by fees generated from national sales of CollegeBoundfund. Under CollegeBoundfund rules and regulations, RIHEAA may use account maintenance fees paid by Non-Rhode Island residents and a portion of out-of-state direct sales fees for the development of CollegeBoundfund grants and scholarships to benefit Rhode Island families.

Update program guidelines and regulations— To meet the demands of the CollegeBoundfund Matching Grant program, RIHEAA reserves the right to and may periodically make adjustments to program guidelines including, but not restricted to income guidelines, matching grant award caps, contribution matching ratios, and investments for matching grant funds.

For program updates and the most current program guidelines,
please call 1.866.348.3836.

