

PROCEDURES FOR STUDENT LOAN GUARANTEE FOUNDATION OF ARKANSAS SCHOLARSHIP PILOT PROGRAM

The Student Loan Guarantee Foundation of Arkansas, Inc. (hereafter “SLGFA”), is a 501 (c) (3) Not-For-Profit Corporation organized under the laws of the State of Arkansas. The following are procedures for a pilot program for the identification and funding of postsecondary scholarships provided by SLGFA which are intended to provide monies for certain Students to complete their education.

1. SLGFA, for the 2024 – 2025 academic year, will offer this scholarship program to Students (hereafter referred to as “Student or Students”) attending all four-year postsecondary, nonproprietary institutions that are: physically located in the state of Arkansas; supported by the State of Arkansas or by a nonprofit, religious or charitable organization; and that agree to participate (referred to herein as “School or Schools”). It is the purpose of this scholarship to serve as a pilot program for providing scholarships to Students who have not been able to complete their education because of extenuating circumstances. SLGFA intends to provide approximately \$700,000 in scholarship funds during the 2024 academic year. Approximately half the scholarship funds will be distributed during the Fall semester of 2024, and the remaining portion will be distributed to scholarship participants from the Fall semester who are continuing their education during the Spring semester 2025. The maximum scholarship under this program shall be \$5,000 per semester and \$10,000 per academic year. For Schools which operate on a term system rather than a semester basis, the scholarship will be dispersed each term to eligible Students on a pro rata basis determined by a ratio of the length of each term in relation to School’s academic year. It is agreed that in any dispute in regard to the amount of term-based distributions, the decision of the SLGFA Executive Director shall be final. Students receiving the scholarship shall be selected by the individual School’s SLGFA Scholarship Committee, (which will be organized as described herein), and pursuant to guidelines established by SLGFA. It is specifically understood that selection of a Student(s) to receive a scholarship by the committee shall not result in any responsibility by SLGFA to fund a scholarship unless the terms of award as provided herein are met. Schools participating in this program must be “Educational Institutions” as defined by the Internal Revenue Code Sec. 170 (b) (1) (A) (ii) and must have entered into an Agreement to Participate in Student Loan Guarantee Foundation of Arkansas Scholarship Pilot Program by executing an Agreement in the form attached hereto. The determination of whether a School meets the criterion for participation shall be vested solely with the SLGFA. Students selected by the individual School to receive one of these scholarships must first complete an application furnished by SLGFA in substantially the form of SLGFA Scholarship Application attached hereto or one substantially similar. Student, if selected for a scholarship, must agree to furnish SLGFA with their contact information and consent allowing SLGFA to contact Student, via text or otherwise; a release allowing SLGFA to use the Student’s name and or likeness for purposes of promoting the scholarship; a release allowing individual School to furnish information to SLGFA sufficient to process and supervise this scholarship, and a waiver allowing SLGFA to access Student’s academic records. Student must provide SLGFA with a copy of Student’s most current transcript and the most current forms required by the individual School to be executed by Student in aid of graduation, including but not limited to an intent to graduate declaration or equivalent, and a certification by Student’s advisor that the courses that Student are taking are appropriate to achieving a degree in that major within the time remaining on the scholarship, all of which will be furnished to SLGFA, in a manner acceptable to SLGFA.

The Agreement with School, previously described herein, must be executed no later than March 1, 2024, unless SLGFA, in its sole discretion, determines that there are extenuating factors which warrant the extension of time for School to execute this Agreement. Notification by Schools to SLGFA of Students selected for Scholarships must be made no later than June 14, 2024. After that date, if School has not filled its complement of scholarships, other Schools participating in this scholarship program shall be notified on or about July 12, 2024, that the remainder of these scholarships are available on a first-come, first-serve basis. There shall be no limit on the number of these unused scholarships claimed by any one School, but application for these unused scholarships must be made individually. Applications for these unused scholarships will not be accepted by SLGFA after noon, August 16, 2024.

2. These scholarships shall be awarded by the individual School's SLGFA Scholarship Committee on an objective and non-discriminatory basis to undergraduate Students who are residents and domiciliaries of the State of Arkansas, United States Citizens, and who have not completed a previous baccalaureate degree. Recipients must have at least a 2.5 grade point average from their previous undergraduate matriculation. The Student must not be enrolled and attending class in any postsecondary institutions at the time of the scholarship application, and must not have been enrolled or attending classes in any postsecondary institution for at least one year immediately prior to the original awarding of the scholarship. This absence must be due to extenuating circumstances. This (these) extenuating circumstance(s) shall be determined in the professional judgment of the individual School's SLGFA Scholarship Committee. To be eligible, Student must have declared a major in any area of study offered by the individual School and be within 30 hours of his or her first baccalaureate degree completion. Courses which the Student enrolls in must count towards degree completion in that declared major. Student must be enrolled full-time, which for purposes of this program shall be the individual School's definition of full-time; except that if a degree can be completed with less than full-time attendance, with the express prior written permission of SLGFA, a Student selected for this scholarship may take less than a full course load. In such a case, the scholarship will be discounted from the maximum award by a fraction, the denominator of said fraction being the number of hours necessary for a full-time course load and the numerator being the Student's actual course load.
3. Disbursement of funds shall not be made by SLGFA prior to the later of the next business day following School's census date; or upon SLGFA's receipt, furnished to SLGFA in a manner acceptable to SLGFA, of Student's most recent transcript, together with a certification by Student's advisor that the courses that Student is taking are appropriate to achieving a degree in that major within the time remaining on the scholarship, together with the most current forms required by the individual School to be executed by Student in aid of graduation, including but not limited to an intent to graduate form or its equivalent. The School shall establish a SLGFA Scholarship Committee consisting of three persons: the Financial Aid Director at the individual School; a person appointed by the Financial Aid Director from Academic Affairs at the individual School, and a person appointed by the Financial Aid Director from individual School's scholarship office; provided however, in no case shall a member of the Committee be an Officer, Director or employee of SLGFA, any person related to any such Officer, Director or employee, within the fourth degree of consanguinity, or any person recommended by an Officer, Director or employee of SLGFA. Vacancies shall be filled by appointment of the Financial Aid Director, and in the case of vacancy by the Financial Aid Director, that position shall be filled by the acting Financial Aid Director. Awards will not be made to Students who are related to an Officer, Director, or substantial contributor (as defined in Internal Revenue Code Sec. 507(d)(2)) of SLGFA or any person who is a disqualified person (as defined in

Internal Revenue Code Sec. 4946(s)), or who is related to a member of the individual School's SLGFA Scholarship Committee within the fourth degree of consanguinity or less; or to any Student who is a disqualified person.

4. Any Student who successfully completes the Fall Academic Term of 2024, and who continues to meet the eligibility requirements for this scholarship, and who is otherwise in compliance with all requirements of the Agreement and the Scholarship Procedures, (as herein defined), will be eligible to have his or her scholarship renewed for the Spring Academic Term 2025, or its equivalent if School does not follow a traditional academic year. If renewed, the amount thereof shall be the same amount awarded for the fall term, so long as the amount is necessary for the expenses described in the Agreement to Participate in Student Loan Guarantee Foundation of Arkansas Scholarship Pilot Program. If not, School shall not request these excess funds.

SLGFA shall be under no obligation to continue this program or a similar program subsequent to the 2025–2026 academic year.

5. Supervision of Scholarships.

- A. General. Unless otherwise agreed in writing by School and SLGFA, each scholarship shall be paid by SLGFA directly to School for the use of the Student. The individual School shall agree in writing to use the scholarship funds to defray the Student's expenses or to pay the funds (or a portion thereof) to the Student only if the Student is enrolled at the individual School and his or her standing at the individual School is consistent with the purposes and conditions of the scholarship awarded. Unless otherwise agreed in writing by the individual School and SLGFA, a condition of each scholarship is that it will be used only for qualified tuition and related expenses within the meaning of IRC § 117(b)(2), and for room and board and incidental expenses. Accordingly, a scholarship can be used only for: (1) tuition and fees required for the enrollment or attendance of the Student at the individual School; (2) fees, books, supplies, and equipment required for courses of instruction at the individual School; (3) room and board; and (4) expenses incurred for travel, research, clerical help, and equipment and other expenses that are not required either for enrollment or attendance at the individual School or in a course of instruction at the individual School. An additional condition is that no part of the scholarship shall be used as payment for teaching, research, or other services by the Student required as a condition for receiving the scholarship.

B. Special Procedures.

If for any reason, a scholarship is paid to a person, including the Student, other than the individual School or if the scholarship is used for expenses other than qualified tuition and related expenses within the meaning of IRC § 117(b)(2), or for room and board and/or incidental expenses, SLGFA must receive a report on the progress of that Student at least once each year. This report must include a summary of the use of the funds awarded, and the Student's courses taken (if any) and grades received (if any) in each academic period. This report must be verified by the individual School. A final report is also required.

Where reports submitted or other information (including the failure to submit reports) indicates that all or any part of a scholarship is not being used in furtherance of the purposes of such scholarship, SLGFA is under a duty to investigate. While conducting its investigation, SLGFA shall withhold further

payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

If SLGFA learns that all or any part of a scholarship is not being used in furtherance of the purposes of the scholarship, SLGFA shall take all reasonable and appropriate steps to recover the scholarship funds and/or ensure restoration of the diverted funds to the purposes of the scholarship. If such a diversion occurs and the Student has not previously diverted scholarship funds to any use not in furtherance of the purposes of the scholarship, SLGFA shall withhold any further payments to the Student until it has received the Student's assurance that future diversions shall not occur and shall require the Student to take extraordinary precautions to prevent future diversions from occurring.

Where a Student has previously diverted funds received from SLGFA and SLGFA determines that any part of a scholarship has again been used for improper purposes, SLGFA shall take all reasonable and appropriate steps to recover the scholarship funds and/or ensure restoration of the diverted funds to the purposes of the scholarship. In such case, SLGFA shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) SLGFA has received the Student's assurances that future diversions will not occur; and (3) SLGFA requires the Student to take extraordinary precautions to prevent future diversions from occurring.

The phrase "all reasonable and appropriate steps," as used above, shall include legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

6. Recordkeeping Requirements.

SLGFA shall retain the following records in connection with all scholarships: all information obtained by SLGFA to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to SLGFA or to an Officer or Director of SLGFA), the purpose and amount of each scholarship, and any additional information SLGFA obtains in complying with its scholarship administration procedures. Information obtained by SLGFA pertaining to unsuccessful applicants for scholarships shall be kept along with information on successful applicants.

Records pertaining to any scholarship awarded pursuant to this policy shall be kept for no less than three years after the filing of the SLGFA's annual tax return for the period in which the last installment of such scholarship was paid.

I, _____, as a representative of _____,
a participating School, acknowledge the receipt of these procedures on this _____ day of _____,
202_.