
OPERATING PROCEDURES

FOR THE

VALLEY HIGH SCHOOL CLASS OF 1961 SCHOLARSHIP PROGRAM

OF THE

NAPHCARE CHARITABLE FOUNDATION, INC.

Adopted as of _____, 2011

**OPERATING PROCEDURES
FOR THE
SCHOLARSHIP PROGRAM OF THE
NAPHCARE CHARITABLE FOUNDATION, INC.**

TABLE OF CONTENTS

Page No.

ARTICLE I
OBJECTS AND PURPOSES.....1

ARTICLE II
SCHOLARSHIP SELECTION COMMITTEE2

Section 1. Responsibilities.....2
 Section 2. Number2
 Section 3. Selection.....2
 Section 4. Compensation2
 Section 5. Term.....2
 Section 6. Vacancy.....2

ARTICLE III
GUIDELINES FOR GRANTING SCHOLARSHIPS.....3

Section 1. Eligible Applicants.....3
 Section 2. Solicitation of Applicants4
 Section 3. Selection Criteria4
 Section 4. Selection Process4
 Section 5. Objective and Nondiscriminatory Selection.....5

ARTICLE IV
SCHOLARSHIP TERMS5

Section 1. Name.....5
 Section 2. Number6
 Section 3. Length and Amount6
 Section 4. Method of Payment.....6
 Section 5. Educational Institutions6
 Section 6. Courses of Study.....7
 Section 7. Termination.....7

| | |
|-------------------------|---|
| ARTICLE V | |
| | <u>SUPERVISION OF SCHOLARSHIP GRANTS</u>.....8 |
| Section 1. | <u>Recipient Reporting Requirements</u>8 |
| Section 2. | <u>Investigation of Jeopardized Grants</u>8 |
| Section 3. | <u>Retention of Records</u>9 |
| ARTICLE VI | |
| | <u>SCHOLARSHIP RENEWALS AND SUSPENSION</u>.....9 |
| Section 1. | <u>Renewal</u>9 |
| Section 2. | <u>Standards</u>10 |
| Section 3. | <u>Voluntary Suspension</u>11 |
| ARTICLE VII | |
| | <u>AMENDMENTS</u>.....11 |
| ARTICLE VIII | |
| | <u>TERMINATION</u>.....11 |
| ARTICLE IX | |
| | <u>APPLICABLE TAX LAW</u>.....12 |

**OPERATING PROCEDURES
FOR THE
SCHOLARSHIP PROGRAM OF THE
NAPHCARE CHARITABLE FOUNDATION, INC.**

The NaphCare Charitable Foundation, Inc. (hereinafter called the “Foundation”) does hereby establish the following procedures to govern the operation of its Valley High School Class of 1961 Scholarship Program for eligible graduating seniors from Valley High School in Valley, Alabama. The awards in this scholarship program are designed to help recipients defray the costs of college. The awards are also designed to provide recipients with encouragement and guidance in locating other sources of financial aid. (Hereinafter called the “Program”):

**ARTICLE I
OBJECTS AND PURPOSES**

The Program is organized for charitable, benevolent, educational, and philanthropic purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1986 or the corresponding provisions of any subsequent federal tax laws (hereinafter called the “Code”). In furtherance of such purposes, the Program is established to provide Valley High School Class of 1961 scholarships to eligible senior students attending Valley High School in Valley, Alabama who have intentions of pursuing degrees at recognized educational institutions as specified in Section 5 of Article IV. The Program shall at all times comply with the Articles of Incorporation and By-Laws of the Foundation.

It is the express intent of the Foundation that the Program complies at all times with the requirements of Section 4945(g) (1) of the Code and Revenue Procedure 76-47 as they now exist or as they may hereafter be amended. Accordingly, the scholarships awarded are not to be employment incentives or compensation for past, present, or future services rendered to the Foundation or NaphCare, Inc. by the employees or their children. The Program shall not be used by the Foundation or NaphCare, Inc. to recruit employees or to induce employees to continue their employment or otherwise follow a course of action sought by the Foundation or NaphCare,

Inc.

ARTICLE II
SCHOLARSHIP SELECTION COMMITTEE

Section 1. Responsibilities. The Scholarship Selection Committee (hereinafter called “the Committee”) shall select the scholarship recipients and renewal recipients from the applicants for such scholarships in accordance with the criteria set forth in Article III and Article VI hereof.

Section 2. Number. The Committee shall consist of not less than (3) members, the exact number to be determined from time to time by the Selection Committee Chairman.

Section 3. Selection. The members of the Committee shall be selected by the Selection Committee Chairman in accordance with the provisions of this Article II. Such members shall be individuals totally independent (except for participation on the Committee) and separate from both the Foundation and NaphCare, Inc. Further, in no event shall any employee or former employee of the Foundation or NaphCare, Inc. be a member of the Committee. No member of the Committee may derive a private benefit, directly or indirectly, as the result of the selection of scholarship recipients or renewal recipients.

Section 4. Compensation. The members of the Committee may receive an appropriate honorarium from the Executive Director of the Foundation. The amount of the honorarium shall be determined by the Executive Director and shall be paid to the members of the Committee by the Executive Director out of the fee it receives from the Foundation for administering the Program.

Section 5. Term. The members of the Committee shall serve at the pleasure of the Selection Committee Chairman for such terms as the Selection Committee Chairman deems appropriate.

Section 6. Vacancy. Any vacancy occurring on the Committee for any reason shall be filled as soon as possible by the Selection Committee Chairman.

ARTICLE III
GUIDELINES FOR GRANTING SCHOLARSHIPS

Section 1. Eligible Applicants. The scholarships granted by the Foundation shall be awarded to students who have reached their senior year of high school at Valley High School in Valley, Alabama. Said students shall (i) have the required number of prerequisite courses or credits to obtain their high school diploma or its equivalent, (ii) be planning to attend and meet the minimum standards for admission to, or have been accepted for admission by, an educational institution which falls within the definition set forth in Section 5 of Article IV, and (iii) will be enrolled in undergraduate, post high school studies on a full-time basis.

However, scholarships may not be awarded to (i) any member of the family (as defined in Section 4946(d) of the Code) of a Committee member; (ii) any child of an officer or director of NaphCare, Inc.; (iii) any child of a “foundation manager” (as defined by Section 4946(b) of the Code); or (iv) any child of a “disqualified person” (as defined by Section 4946(a) of the Code).

Section 2. Solicitation of Applicants. Applicants shall be solicited by means of the widest possible dissemination of information regarding the availability of the scholarships. The method of disseminating this information shall be determined from time to time by the Committee.

Section 3. Selection Criteria. Scholarships shall be awarded on the basis of the following criteria: (a) the applicants’ prior academic performance; (b) three letters of recommendations, which shall be submitted by the applicant and shall not be from a family member of the applicant; (c) the leadership ability of the applicants’ as evidenced by extra-curricular activities; (d) other such other selection criteria as the Committee deems appropriate.

Selection of scholarship recipients shall be based solely upon substantial objective standards that are completely unrelated to the employment of the recipients or their parents and to the lines of business of NaphCare, Inc. There shall be no requirement, condition, or suggestion, express or implied, that the recipient or parent is expected to render future employment services to the Foundation or NaphCare, Inc. or be available for such future

employment, even though such future employment is at the discretion of the Foundation or NaphCare, Inc. A scholarship recipient shall not be bound to work for the Foundation or NaphCare, Inc. nor to perform any kind of service for either of them.

The Foundation and the Selection Committee Chairman shall devise whatever application forms they deem appropriate, with such forms requesting submission by the applicants of any information deemed necessary in the selection process.

Section 4. Selection Process. Application forms shall be distributed by the Foundation to all eligible students of the senior class of Valley High School who so request. Such form shall direct the applicant to submit the completed application directly to the Selection Committee Chairman for review by the Committee. The Committee shall have complete, absolute and sole discretion in selecting all scholarship recipients and shall do so on a blind basis. After reviewing all eligible applications received by the Selection Committee Chairman, the Committee may offer the eligible applicant the opportunity to attend a face-to-face or online interview. Said applicant will not be required to introduce themselves by name in order to preserve the blind selection process. The Committee will be issued a “check sheet” for each individual applicant, which shall consist of a list of weighted items to be tabulated by Committee members individually after each interview. The Committee will also be issued a rating sheet for the entire composite group of applicants to assist with the selection process. The Committee shall select recipients through a process which must comply with the provisions of this Article III. The Committee shall then notify the Foundation of the recipients and alternate recipients selected. Upon receiving notification of the Committee’s selections, the Foundation shall verify the continued eligibility of the recipients and, where appropriate, substitute alternate recipients in the order recommended by the Committee. The Foundation will then notify each of the applicants as to whether they will be receiving one of the scholarships awards. The public announcement of the recipients shall then be made by the Foundation.

Scholarships shall be awarded solely in the order recommended by the Committee. The number of scholarships to be awarded may be reduced but may not be increased by the Foundation from the number recommended by the Committee.

Section 5. Objective and Nondiscriminatory Selection. The Scholarships shall be awarded on an objective and nondiscriminatory basis and the Committee shall not discriminate against any applicant on the basis of sex, race, religion, or national origin. It is the express intent of the Foundation that the scholarship recipients be selected in a manner that complies with the requirements of Revenue Procedure 76-47 and Treasury Regulation 53.4945-4(b), and neither the Foundation, the Selection Committee Chairman nor the Committee shall engage in any activities that are not authorized by said Procedure and said Regulation.

ARTICLE IV **SCHOLARSHIP TERMS**

Section 1. Name. The scholarships awarded by the Foundation shall be known as the “Valley High School Class of 1961 Scholarships.”

Section 2. Number. The number of scholarships awarded each year will be determined by the Board of Directors of the Foundation within the guidelines set forth in Revenue Procedure 76-47.

Section 3. Length and Amount. The scholarships shall be for one (1) academic year with the possibility of renewal, as specified under Article VI, Section I. The amount of the scholarships shall be determined by the Board of Directors depending upon the recipient’s financial need.

Section 4. Method of Payment. Except as is hereinafter provided, all scholarship monies shall be paid by the Executive Director of the Foundation directly to the educational institution to be credited against the recipient’s expenses. Any scholarship monies paid directly to the educational institution for the account of the recipient that are not used in an academic year shall be refunded to the Executive Director. The Executive Director shall reflect any such refunds in the next billing to the Foundation for the funds to pay scholarships. In the event that the Executive Director considers payment directly to the educational institution impractical, the Executive Director may pay the scholarship monies directly to the recipient.

Section 5. Educational Institutions. The recipient or a scholarship may select any

accredited, non-profit college or university, either public or private, that falls within the definition set forth in Section 170(b) (1) (A) (ii) of the Code, at which to use the scholarship, regardless of where said institution is located within the United States. Recipients are free to change educational institutions and retain the award. However, transferring may result in a change in the amount of the scholarship.

Section 6. Courses of Study. No restrictions whatsoever shall be placed on the courses of study pursued by the recipient. The courses of study for which scholarships are available shall not be limited to those that would be of particular benefit to the Foundation or NaphCare, Inc. The recipient shall have free choice to use the scholarship in the pursuit of any course of study and may change courses of study.

Awarding of the scholarships shall be consistent with a disinterested purpose of enabling the recipients to obtain an education in their individual capacities solely for their personal benefit and shall not include any commitments, understandings, or obligations, conditional or unconditional, suggesting that the studies are undertaken by the recipients for the benefit of the Foundation or NaphCare, Inc. or have as their objective the accomplishment of any purpose of the Foundation (even though consistent with its exempt status) or NaphCare, Inc. other than enabling the recipients to obtain an education in their individual capacities and solely for their personal benefit.

Section 7. Termination. A scholarship shall be cancelled unless the recipient enters an educational institution as set forth in Section 5 of this Article IV by the fall term of the year in which the scholarship is awarded, provided, however, that a recipient may delay entering an educational institution pursuant to Section 3 of Article VI.

ARTICLE V **SUPERVISION OF SCHOLARSHIP GRANTS**

Section 1. Recipient Reporting Requirements. The recipient must provide the Executive Director of the Foundation with an official transcript from the educational institution detailing the courses taken and grades received by the recipient following his/her freshman year

of college.

Section 2. Investigation of Jeopardized Grants. Where information (including failure to submit transcripts after a reasonable time has elapsed from their due date) indicate that all or any part of scholarship funds are not being used for the purposes of such scholarship, the Executive Director shall initiate an investigation. While conducting the investigation, the Executive Director shall withhold further payments to the extent possible until it has determined that no part of the scholarship has been used for improper purposes, and until any delinquent transcripts have been submitted. If the Executive Director determines that any part of a scholarship has been used for improper purposes, the Foundation shall take all reasonable and appropriate steps to recover diverted scholarship funds or to ensure the restoration of diverted funds and the dedication of other scholarship funds held by the recipient to the purposes being financed by the scholarship. These steps may include legal action unless such action would in all probability not result in the satisfaction of execution of a judgment.

If the Executive Director determines that any part of the scholarship has been used for improper purposes and the recipient has not previously diverted scholarship funds to any use not in furtherance of a purpose specified in the scholarship, the Executive Director shall withhold further payments on the particular scholarship until (i) it has received satisfactory assurances from the recipient that future diversions will not occur, (ii) any delinquent transcripts have been submitted, and (iii) it has required the recipient to take extraordinary precaution to prevent future diversions from occurring. If the Executive Director determines that any part of the scholarship has been used for improper purposes and the recipient has previously diverted scholarship funds, the Executive Director shall withhold further payments until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

Section 3. Retention of Records. The Executive Director shall retain records pertaining to all scholarships awarded to individuals by the Foundation, including, but not limited to, (i) all information secured to evaluate the qualification of potential recipients, (ii) identification of recipients, including any relationship to any Committee member or other disqualified person, and (iii) all transcripts received from the recipient and the results of any

investigation conducted under Section 2 of this Article. Said transcripts shall be retained by the Executive Director for four (4) years following the close of the academic year for which the scholarship, or latest renewal thereof, was granted.

ARTICLE VI
SCHOLARSHIP RENEWALS AND SUSPENSIONS

Section 1. Renewal. Although the scholarships granted hereunder are for one (1) academic year, they may be renewed at the discretion of the Board of Directors of the Foundation.

Section 2. Voluntary Suspension. If a scholarship recipient enters a branch of the armed forces while on scholarship, then upon receipt of written notification by the Committee, the scholarship will be suspended while the recipient is in the armed services and will be reinstated, upon the recipient's written request to the Committee, when the recipient has been discharged and resumed full-time study at an educational institution which falls within the definition set forth in Section 5 of Article IV, unless the discharge was dishonorable or the equivalent, in which event the scholarship shall be cancelled. In addition, with the written permission of the Committee for good cause shown, a recipient may remain out of school for up to one (1) year, during which time his scholarship will be suspended. The recipient's scholarship will be reinstated, upon his/her written request to the Committee, when he/she has resumed full-time study at an educational institution which falls within the definition set forth in Section 5 of Article IV.

ARTICLE VII
AMENDMENTS

The Board of Directors of the Foundation shall amend these operating procedures in order that they may comply with any future amendments to the provisions of the Code or the Internal Revenue Service's regulations under the existing or amended Code provisions governing the Program. In addition, the Board of Directors of the Foundation may from time to time amend

these procedures as it deems necessary; **provided, however,** that such amendments shall not cause the Foundation or the Program to fail to comply with the federal tax laws governing the Program.

ARTICLE VIII **TERMINATION**

The Board of Directors of the Foundation may terminate the Program at any time; **provided, however,** that in the event the Program is terminated these operating procedures shall remain in effect until all recipients are no longer eligible to receive scholarship renewals or reinstatements.

In the event of the liquidation, dissolution, or winding up of the affairs of the Corporation, whether voluntary, involuntary, or by operation of law, the Board of Directors of the Corporation shall distribute the net assets in such manner consistent with the Corporation's Bylaws and the law of the State of Delaware; provided, however, that any such distribution of assets shall be calculated to carry out the objects and purposes of the Corporation.

ARTICLE IX **APPLICABLE TAX LAW**

All references in this document to sections of the Internal Revenue Code of 1986 or to the Treasury Regulations and Revenue Procedures thereunder shall be deemed to refer to such sections, regulations, or procedures as amended or to the corresponding provisions of subsequent federal tax laws.