

Rules and Regulations of The James H. and Mary M. Gnam Education Trust

Pursuant to Article I, Section (d) of The James H. and Mary M. Gnam Educational Trust the Trustee, Sean J. Coleman, hereby promulgates the Rules and Regulations set forth below.

1. **Purpose and General Information.**

1.1. **Purpose:** The trust was established by James H. Gnam during his lifetime and was further funded by gifts made by Mr. Gnam pursuant to the terms of his Last Will and Testament. The trust was established to provide low interest loans to the direct lineal descendants of Mr. Gnam's grandfathers, James McConlogue and Alois Gnam. The interest rate on such educational loans, in accordance with the terms of the Trust, is one percent (1%) per annum. No beneficiary under the terms of the Trust is allowed to borrow more than five percent (5%) of the Trust principal during his or her life. The Trust is not intended to be the primary source through which beneficiaries will finance their education. It is intended to "fill the gap" between traditional sources and the needs of the descendants of James McConlogue or Alois Gnam.

1.2. **General Information:** Sean J. Coleman, (hereinafter referred to as the "Trustee") an attorney admitted to practice in the Commonwealth of Virginia serves as Trustee pursuant to the terms of the original trust agreement. The Trust further provides that the Trustee, in his sole discretion may appoint such additional or substitute trustees as he may deem proper. The Trust did not provide for the termination of the Trust upon the happening of any specific event or upon any specific date. As a result, an heir of Mr. Gnam contested the validity of the Last Will and Testament and of the Trust. The Circuit Court of Arlington County held that the Trust violated *the Rule Against Perpetuities* in that matter. The court refused, however, to invalidate the entire trust arrangement fashioned by Mr. Gnam prior to his death. The Court ordered that the Trust terminate twenty-one years and ten months after the death of the last lineal descendant of James McConlogue and Alois Gnam that was alive on the date of Mr. James H. Gnam's death. Based upon published mortality tables the Trustee estimates that such

termination will occur sometime during the first twenty-five (25) years of the twenty-second century.

2. **Eligibility for Benefits of Trust**

- 2.1. **Familial Relationship:** A proposed borrower from the Trust must be a direct lineal descendant, natural or adopted, of James McConlogue or Alois Gnam. Stepchildren and those other persons related only by marriage are not eligible for benefits or loans from the trust.
- 2.2. **Accreditation:** The proposed beneficiary must be accepted to or be registered at and attending a college, university, trade school or other post secondary school course of study. A recognized organization, consortium, or league of like schools must accredit such college or university. Generally, any accreditation that is accepted for the purposes of obtaining government guaranteed student loans will satisfy the accreditation requirement imposed herein. The Trustee may, at his sole discretion waive this requirement. However, such waiver will normally be reserved for cases where a school, university or college is seeking accreditation for the first time or has already obtained provisional or temporary accreditation.
- 2.3. **Full-time Status:** The proposed beneficiary must be enrolled in such school, college or university on a full-time basis. For the purposes of eligibility under the Trust “full-time” is defined as being enrolled in twelve (12) or more semester hours of course work. The Trustee, in the event of hardship, disability, different ability or handicap may waive this provision, if in his sole discretion such waiver would further the goals for which the trust was created. Such special circumstances may include, but is not limited to, a proposed beneficiary that is employed full-time and pursuing their education on a part-time basis.
- 2.4. **Performance:** The initial funding, for the first academic period of education, of any loan under this agreement is not contingent upon the proposed recipient having any particular grade point average. However, should any beneficiary fail to maintain at least a 2.3 (on a 4.0 scale) grade point average, no loans or benefits will be advanced to such individual in subsequent years, unless and until, such person has increased their cumulative grade point average to the level of a 2.3 average. The Trustee, in the event of a hardship, disability, different ability or handicap may waive this provision, if in his

sole discretion such waiver would further the goals for which the trust was created.

3. **Application Process**

3.1. **Application**: The proposed beneficiary shall file his or her application for loan benefits, on such form or forms as may be prescribed from time to time by the Trustee, no less than ninety (90) days prior to the due date of any initial tuition payment being due. Each application shall be valid for one academic year. An academic year is defined as September to August. The application shall be accompanied by the following documents:

- 3.1.1. A birth certificate or certificates, or other evidence of live birth, evidencing the relationship of the proposed beneficiary to either James McConlogue or Alois Gnam. The Trustee may in his option waive this requirement in whole or in part, where and only where, the Trustee is already in possession of birth certificate(s) or other evidence of relationship, establishing the familial relationship of the proposed beneficiary to James McConlogue or Alois Gnam.
- 3.1.2. A current credit report issued by a recognized national or regional consumer credit reporting agency for the applicant, as well as each guarantor or co-applicant.
- 3.1.3. A copy of the letter of acceptance or such document evidencing the enrollment of the proposed beneficiary in the university, college or school for which the application is made.
- 3.1.4. Evidence of substantial efforts of the proposed beneficiary to obtain funding, scholarships, educational loans or assistance from sources other than the Trust.
- 3.1.5. Proof of full-time employment in the case of a part-time student that has obtained a waiver from the Trustee pursuant to paragraph 2.3 above.
- 3.1.6. Tax returns for the two (2) calendar years immediately preceding the semester for which any loan is sought for the borrower or any guarantor or co-applicant. If the proposed beneficiary is or has been claimed as a dependent on any person's tax return in such years, then copies of those returns must be provided as well.

- 3.1.7 Each applicant and guarantor agrees to sign a release of information so that the Trustee may independently verify any and all information provided in the application. This shall include, but not be limited to, all-financial information, certified transcripts and acceptance and continued enrollment in an educational institution.
 - 3.1.8 Parents of each applicant under the age of twenty-five (25) shall be required to guarantee any loan taken from the Trust.
 - 3.1.9 Spouses of any applicant shall be required to apply for the loan as a co-applicant and shall be equally liable to re-pay the loan to the Trust.
 - 3.1.10 A completed Application for Federal Student Aid form. The current form can be found at www.fafsa.ed.gov.
 - 3.1.11 A thirty dollar (\$30.00) non-refundable processing fee.
 - 3.1.12 Three signed original releases by the beneficiary and each guarantor.
 - 3.1.13 Completion of a Family Questionnaire for all members of your family including parents, siblings and all offspring.
- 3.2. **Subsequent Applications:** Each beneficiary, shall, as soon as practical and no less than 10 days prior to the beginning of the next academic period or term, forward to the Trustee certified transcripts of his or her grades, together with evidence of registration for classes in the subsequent term, and any bill, invoice or other such document relating to the payment of tuition and fees for such subsequent term. Together, these documents shall comprise the beneficiary's application for future advances on their loan from the Trust for that academic year. Subsequent years require a separate application from the Trust.
- 3.3 **Termination of Education:** Each beneficiary and guarantor shall immediately notify the Trustee, should the beneficiary terminate their current educational effort, within one-week of the date of termination. Failure to complete the academic period in no way removes the obligation to repay the loan received from the Trust. Termination means any withdrawal from the course of study begun, whether it be during an academic period or between them, without first completing the course of study initially begun. For example, withdrawal from college due to an illness or between academic periods, even if only for one period. Breaks over a normal summer time academic recess shall not be consider a withdrawal, if the beneficiary intends to return to school in the fall.

4. **Approval:** Approval of any proposed loan is in the sole and absolute discretion of the Trustee. The Trustee shall rate the entire body of applications, based first upon the needs of the student (taking into account the family resources of the student's immediate family); second; the performance of the student in school; third, any other sources of educational funding available to the student; and fourth, the creditworthiness of each student. The Trustee shall then determine the amount of funding available, given the then current resources and income of the trust, and shall divide those resources among the applications in accordance with the priority given such applications during the rating process. Upon approval or denial of an application, the Trustee shall notify the student of his decision and the reasons for such decision.
5. **Acceptance and Funding:**
 - 5.1. **Acceptance:** Each beneficiary shall, in writing, within fifteen (15) days, after notification or approval of any loan, notify the Trustee of his acceptance of the loan, and the amount thereof in writing, and at such time execute and return any promissory notes, and other documents that the Trustee shall in his discretion require. Further, in the event that the student or proposed beneficiary has not provided to the Trustee the final statement of costs associated with the upcoming semester or other term he shall forward such statement or invoice to the Trustee with his acceptance of the loan. No monies shall be forwarded without the Trustee being in receipt of the signed and notarized promissory note signed by the applicant and all guarantors.
 - 5.2. **Funding:** The Trustee reserves the right to make all disbursements of loan proceeds directly to the institution of higher education reflected on the application for loan made by the student or proposed beneficiary. Interest shall accrue on such loans from the date of funding, but shall not be due and payable until the Initial Due Date as defined in paragraph 7.1 below.
6. **Refunds:** The student shall, as part of the acceptance of any loan, execute an irrevocable assignment of any refunds that he or she might be entitled to receive from the college, university or school. Any such refunds received by the Trustee will be applied to the student's loan, in the manner set forth below with respect to payments.
7. **Payments:**
 - 7.1.7.1. **Ordinary Payments:** Three (3) months after the termination of the student's attendance at the college, university or school, for which the loans were made,

the student shall commence payments on the loans (the "Initial Due Date"). The principal amount of the loan or loans shall be computed on the Initial Due Date, by adding all principal advances made to the student by the Trust and all amounts of interest accrued during the term of the students education. The payments shall be an even amortization of principal and interest over a term of months equal to the total principal balance of loans or advances received, divided by 150. In no event however, shall the monthly payment for any loan obligation be less than \$150.00 or shall the term exceed One Hundred Twenty (120) months. Each payment shall be due on the first day of each and every month and if not paid within ten (10) days thereafter the student shall be subject to and shall pay a late fee equal to ten percent (10%) of the amount of any such installment then due. All payments shall be first credited to late fees, then to interest and the balance of any payment shall then be credited to the loan principal.

7.2.7.2. **Payments**: All payments are due at an address designated by the Trustee by the 15th day of each month. Payments are considered late if not received by the 20th of any month.

7.3 **Default**: Default is defined as the failure to make the required monthly payment on the loan in two consecutive months or any three within one calendar year.

7.4. **Payment in Preparation for Termination of Trust**: All loans made by the trust will become due and payable in full, if not previously due and payable, upon the twentieth (20th) anniversary of the death of the last lineal descendant of James McConlogue and Alois Gnam that was alive on the date of Mr. James H. Gnam's death.

8. **Notices**: All notices required or permitted under the terms of these Rules and Regulations shall be made to the Trustee at the address or addresses as may from time to time designated by the Trustee. Notices to the beneficiary or proposed beneficiary shall be made at the address indicated on the latest application for loan or loans filed by the beneficiary or proposed beneficiary with the Trustee.

9. **Default**: The beneficiary, by accepting any loan or loans from the Trust agrees that in the event of default, he shall pay all costs and expenses incurred by the Trust in the collection of such amounts, including a reasonable attorney's fee of no less than twenty-five (25%) percent. The loans and obligations undertaken by the student in accordance with these rules shall be repaid, with interest at the modest rate of interest of one percent (1%) per annum. The interest is intended to replenish the Trust. To

the maximum extent possible, under the law existing at the time of the funding of any loan, the student agrees that loans made by the Trust are non-dischargeable in bankruptcy. The borrower, guarantors and co-applicants waive any right or privilege to claim any homestead or other exemption.

10. **Trustees Rights and Privileges:** Nothing contained herein shall be interpreted or construed as requiring the Trustee to take any action or refrain from taking any action. The granting of any loan, the extension of any credit hereunder and the granting of any exception to these Rules are and remain in the sole, absolute and unfettered discretion of the Trustee.

11. **Incorporation:** The terms and conditions contained herein are incorporated in and made a part of any promissory note executed by the beneficiary under the Trust.

I accept and agree to abide by the Rules and Regulations of The James H. and Mary M. Gnam Educational Trust.

Borrower

Date

Guarantor/Co-Applicant

Date

Guarantor/Co-Applicant

Date

STATE OF _____
COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the borrower, sign the Rules and Regulations of The James H. and Mary M. Gnam Education Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the guarantor/co-applicant, sign the Rules and Regulations of The James H. and Mary M. Gnam Education Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the guarantor/co-applicant, sign the Rules and Regulations of The James H. and Mary M. Gnam Education Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires:

Promissory Note

_____, 200_

For Value received the undersigned promises to pay to The James H. and Mary M. Gnam Educational Trust (the "Trust") the sum and amount of _____ Dollars in lawful currency of the United States, together with interest at the rate of one percent (1%) per annum.

The Trust may make, but is not obligated to make, future advances of money in addition to the amount set forth above. In such event the principal amount of this note shall be increased by the amount of such future advances, and the undersigned promises to pay such amounts in addition to the amount set forth above.

This promissory note is subject to and made in accordance with certain rules and regulations governing loans made by the Trust, the maker(s) hereof agree that the terms and conditions of such rules and regulations, including, but not limited to the terms of repayment, application of payments, late fees and costs of collection in effect on the date first written above, are incorporated herein by reference, as though fully rewritten herein.

The maker and any guarantor hereof agree that in the event of any default under the terms of this note, or in the event of any dispute between the maker, any guarantor, and the Trust, the parties agree that the Courts of Fairfax County, Virginia shall be the appropriate jurisdiction and venue for such dispute. The maker and any guarantor hereby irrevocably appoint the Secretary of the Commonwealth of Virginia as their true and lawful attorney-in-fact to accept service of process.

Borrower/Beneficiary

Guarantor/Co-Applicant

Guarantor/Co-Applicant

STATE OF _____

COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the borrower, sign this Promissory Note for The James h. and Mary M. Gnam Educational Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the guarantor/co-applicant, sign this Promissory Note for The James H. and Mary M. Gnam Educational Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY/CITY OF _____

I, _____, a notary public in and for the aforesaid jurisdiction did witness _____, the guarantor/co-applicant, sign this Promissory Note for The James H. and Mary M. Gnam Educational Trust on this the ____ day of _____, 200_.

Notary Public

My Commission Expires: