JEFFERSON COUNTY COMMUNITY FOUNDATION

SCHOLARSHIP GUIDELINES

Revised 9.30.09

Jefferson County Community Foundation ("JCCF") may in its discretion award grants to specific selected individuals (paid directly to qualified educational institutions), which grants may be used exclusively for tuition at post-secondary educational institutions that normally maintain a regular faculty and curriculum, as described as Internal Revenue Code § 170(b)(1)(A)(ii), and for fees, books, supplies, and equipment required for courses at such institutions, or for room and board expenses payable to the institution ("scholarship grants").

Scholarship grants will be made only from funds designated as JCCF Scholarship Funds administered in accordance with these procedures. **Scholarship grants will not, under any circumstances, be made from any fund that qualifies as a donor advised fund within the meaning of the federal tax rules.** (Donor advised funds may, however, make grants directly to a qualified educational institution where the educational institution is solely responsible for selecting the scholarship recipients.) JCCF will approve all scholarship programs established by such Scholarship Funds in advance of any solicitation of scholarship applications.

In all cases, the JCCF Scholarship Committee, a committee of JCCF's Board of Directors, will independently review and approve all recommendations for award recipients to ensure that such recommendations are consistent with these Scholarship Guidelines, JCCF's charitable purposes, and its mission. Scholarship grants may be awarded for one year or for multiple years.

I. SCHOLARSHIP SELECTION PROCESS.

A. JCCF Scholarship Committee.

The JCCF Scholarship Committee shall be comprised of at least three members, at least two of whom are JCCF Directors. Further, no combination of donors, donor advisors, persons recommended or designated by donors or donor advisors (or persons related to any of these persons) to any fund established at JCCF that makes scholarship grants may, directly or indirectly, control the JCCF Scholarship Committee. The JCCF Scholarship Committee shall supervise the administration of all JCCF Scholarship Funds in accordance with the JCCF Scholarship Committee Charter attached hereto. The JCCF Scholarship Committee shall appoint all members of any committee established to make recommendations concerning scholarship awards ("Selection Committees"), shall approve the selection criteria employed to identify scholarship recipients, and shall pre-approve all scholarship awards disbursed from JCCF Scholarship Funds.

B. Scholarship Fund Purposes and Selection Criteria.

JCCF will work with donors to develop appropriate scholarship purposes and selection criteria. JCCF will review the proposed purposes of each Scholarship Fund to ensure that such purposes are consistent with JCCF's charitable purposes and its mission. The JCCF Scholarship

Committee shall review and shall have final approval authority over the purposes and selection criteria for each JCCF Scholarship Fund.

The scholarship criteria must be "objective and nondiscriminatory," and the group from which applicants are selected must be broad enough to constitute a charitable class (e.g., the selection must not be calculated to benefit predetermined individuals, but may be designed to benefit members of a minority group or a pool of individuals who meet criteria reasonably related to the charitable purposes of the Scholarship Fund). See Treas. Reg. § 53.4945-4(b)(2). No individual within this class may be earmarked to receive scholarship benefits. The selection criteria must also be reasonably related to the purposes of the grant. Criteria may include, but need not be limited to: prior academic performance, performance on tests designed to measure ability and aptitude for college work, recommendations from instructors, financial need, and the conclusions that the selection committee might draw from a personal interview as to the individual's motivation, character, ability, and potential.

All scholarship applicants shall submit an application, which shall include a biographical record and supporting material, including letters of recommendation, grade transcripts, and special awards. JCCF will work with donors to develop the scholarship application form for each Scholarship Fund based upon its approved selection criteria. JCCF shall have ultimate approval authority over all application forms used by JCCF Scholarship Funds.

C. Selection Process.

1. In General.

JCCF will work with Scholarship Fund donors to determine the type of selection process that best serves the donor's intent with respect to his or her Scholarship Fund gift. Scholarship Fund donors may choose to:

(1) Have one of the JCCF Standing Selection Committees recommend scholarship recipients to the JCCF Scholarship Committee (the donor, donor advisor and their family members to such Scholarship Fund (hereinafter, "Donors") will not be members of such a selection committee);

(2) Request that JCCF establish a Fund-Specific Selection Committee to recommend scholarship recipients to the JCCF Scholarship Committee; or

(3) Request that JCCF designate a charitable or governmental entity that is completely independent of and not directly or indirectly controlled by the Donors ("Organizational Selection Committee") to recommend scholarship recipients to the JCCF Scholarship Committee.

All Selection Committees shall use selection criteria pre-approved by the JCCF Scholarship Committee in recommending scholarship recipient candidates to the JCCF Scholarship Committee and shall submit recommendations and all supporting application materials to the JCCF Scholarship Committee. The chairperson of each Selection Committee shall return a signed verification confirming that no award was recommended to a party related

to any participant in the Selection Committee and that the applications were distributed to a broad class of eligible individuals.

2. Special Requirements for Fund-Specific Selection Committees.

At the donor or donor-advisor's request, the JCCF Scholarship Committee may establish a Fund-Specific Selection Committee. The JCCF Scholarship Committee shall annually appoint all members of the Fund-Specific Selection Committee in accordance with the following criteria:

- The Donors to a JCCF Scholarship Fund shall not directly or indirectly control the committee and shall not comprise more than one third (1/3) of the committee's total membership.
- A majority of the committee's members shall be appointed based upon their professional positions or positions within the community.

D. Nondiscriminatory Policy.

Scholarship recipients must be selected on the basis of criteria reasonably related to the charitable purposes of the Scholarship Fund and may benefit members of selected ethnic minorities or may be limited to a certain age group or gender. From the charitable class of individuals that could meet the established scholarship criteria, all scholarships shall be awarded on an objective and nondiscriminatory basis. In selecting scholarship recipients, JCCF shall not take into account a candidate's employment relationship with any person. Family members of past or present directors and/or employees of JCCF shall not be eligible to receive scholarship grants, nor shall any person who is a "disqualified person" with respect to JCCF within the meaning of Internal Revenue Code § 4946(a). No employee or family member of a donor, donor advisor or a member of the Scholarship Selection Committee, is eligible to receive scholarship grants.

II. SOLICITATION OF APPLICANTS.

Typically, applicants shall be solicited throughout Jefferson County, Washington. Application forms shall be distributed by counselors and other administrators at Jefferson County educational institutions, or as specified by a Scholarship Fund's program criteria, as approved by JCCF. JCCF may also provide scholarship information and application forms on its website.

III. NOTIFICATION OF SCHOLARSHIP RECIPIENTS.

JCCF scholarship recipients shall be notified after JCCF has given final approval of the scholarship award recipients. JCCF shall provide each scholarship recipient with a letter notifying him/her of the grant, and specifying that all amounts must be used exclusively for tuition at post-secondary educational institutions that normally maintain a regular faculty and curriculum, and for fees, books, supplies, and equipment required for courses at such institutions, or for room and board expenses payable to the institution. The letter shall inform the student that no funds may be disbursed until JCCF receives confirmation that the student is enrolled in the educational institution, at which time the funds shall be disbursed to the school for the student's

benefit. The letter shall also describe the reporting requirements set out below in Section IV and shall specify the date by which the recipient must comply with the reporting requirements each year. The recipient shall be required to sign and return a copy of the letter indicating his/her acceptance of the scholarship.

IV. SUPERVISION OVER GRANTS.

JCCF shall require each scholarship recipient enrolled in courses to provide annually a transcript indicating the recipient's courses taken, and grades received in each academic period covered by the grant. The transcript must be verified by the educational institution that the recipient is attending.

If the recipient is not taking courses, but is instead involved in the preparation of research papers or projects, the recipient shall have the educational institution prepare a brief report to JCCF at least once a year on the progress of the recipient's paper or project, which report shall be approved by the faculty member supervising the recipient's work or another appropriate university official.

Upon completion of the undertaking for which the grant was made, the grantee should submit a final report or other verification describing the grantee's accomplishments with the grant and accounting for the funds received under the grant.

V. DISBURSEMENT PROCEDURES

JCCF shall send scholarship checks directly to the educational institution selected by the recipient, and shall instruct the institution to deposit the check into the recipient's school account upon verification of the student's full-time status. JCCF shall instruct the institution to disburse the funds over the academic year, divided and applied equally over each quarter or semester, as the case may be. If any funds remain after payment of the student's tuition in full, the balance shall be returned to JCCF in the form of a check. In the event the student transfers to another school during the academic year, the funds shall be returned to JCCF. If the student completes his or her schooling, or withdraws from school and will not be attending another institution within the same academic year, the residual scholarship funds, if any, shall be returned to JCCF.

VI. RECORD KEEPING.

JCCF shall keep records, which shall include:

A. All information that JCCF secures to evaluate the qualification of potential scholarship recipients;

B. The name, address and other contact or identifying information for each scholarship recipient;

C. Any information on relationships that would cause the scholarship recipient to be a

disqualified person with respect to JCCF within the meaning of Internal Revenue Code § 4946(a);

D. The amount and purposes of each scholarship;

E. A copy of the letter notifying the recipient of the scholarship grant; and

F. The follow-up information obtained under Section IV.

VII. INVESTIGATION AND ENFORCEMENT PROCEDURES.

If a grant recipient fails to submit transcripts and reports as provided in Section IV after a reasonable time has elapsed from their due date, JCCF shall initiate an investigation. JCCF shall withhold any further payments to the extent possible until it has determined that no part of the scholarship has been used for improper purposes, until any delinquent transcripts and reports have been submitted, and has received assurances from the recipient that future improper diversions will not occur. In the unlikely event that any individual causes the misuse of scholarship award funds, JCCF will pursue the following investigation and enforcement measures.

It is the policy of JCCF to require the educational institutions that have received funds on behalf of the scholarship recipients to return unused funds to JCCF if the student transfers, or otherwise ceases to be enrolled at the institution, or if the funds cannot be used on behalf of the student for academic purposes or for room and board expenses payable to the institution. JCCF does not intend that scholarship awards be made available directly to students.

If JCCF determines that any part of a scholarship has been used for improper purposes, it shall take all reasonable and appropriate steps to recover improperly expended grant funds and to ensure that any grant funds held by the recipient will be used exclusively for the purposes of the scholarship. Such steps may include legal action unless such action in all probability would not result in satisfaction of execution of a judgment.

JCCF shall not make any future scholarship payments on behalf of a recipient who has improperly diverted funds until it has received any delinquent transcripts and reports, and has received assurances that future improper diversions will not occur. JCCF shall require the recipient to take appropriate precautions to prevent further diversions.

If a scholarship recipient has previously diverted funds and JCCF determines that the recipient has done so a second time, JCCF shall take all reasonable and necessary steps to recover the diverted funds and may at its discretion discontinue all future payments. Alternatively, if the diverted funds are in fact recovered or restored and JCCF receives delinquent transcripts or reports and receives adequate assurances of future compliance, upon the recommendation of the JCCF Scholarship Committee, JCCF may in its sole discretion make further payments if it determines that to do so would further its charitable purposes.