

WHITEFISH COMMUNITY FOUNDATION SCHOLARSHIP POLICY

Whitefish Community Foundation (the “Foundation”) may make scholarship grants to individuals in accordance with the following policy:

1. ELIGIBILITY

Scholarship grants may be made to individuals, including high school, college, and graduate school students, to enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college or graduate school of their choice. Scholarship grants may also be made to students in primary and secondary school to attend various educational programs and to other individuals for vocational or other training. Scholarship grants must be used for tuition and related expenses, within the meaning of IRC § 117(b)(2), at an educational institution described in IRC § 170(b)(1)(A)(ii). No part of the Scholarship Grant shall be used as payment for teaching, research, or other services by the scholarship recipient required as a condition for receiving the scholarship.

2. GRANT AMOUNTS

The number of grants and the amounts of each individual grant shall be determined by the Board of the Foundation.

3. GRANT SOLICITATIONS

To solicit nominations for scholarship grants, the Foundation staff and designated members of the grants selection committee shall contact high school, college and graduate school administrators as well as managers of other relevant community institutions to advertise the availability of the scholarship grants and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for grants.

4. GRANT APPLICATIONS

Applicants for scholarship grants shall be required to submit such application forms and supporting materials as the Foundation may deem appropriate.

5. GRANT DURATION

Grants will ordinarily be awarded for a one-year period, but may be for a shorter or longer period, at the discretion of the Board. The Foundation may consider renewing a grant on a case-by-case basis if the Foundation has no information indicating that the original grant is being used for any purpose other than that for which it was made, any reports due at the time of the renewal decision pursuant to the terms of the original grant have been furnished, and the criteria and procedures for renewal are objective and nondiscriminatory.

6. SELECTION CRITERIA

Grantees are to be selected on an objective and nondiscriminatory basis. The grant program must be consistent with the Foundation's tax exempt status under IRC §501(c)(3) and the allowance of deductions to individuals under IRC §170 for contributions to the Foundation.

The group from which grant recipients are selected must be sufficiently broad so that giving grants to one or more members of the group fulfills a charitable purpose, and the selection criteria must be related to the purpose of the grant as follows:

Scholarship grants criteria shall include prior academic performance, performance of each applicant on tests designed to measure ability and aptitude for educational work; recommendations from instructors of such applicant and any others who have knowledge of the applicant's capabilities, additional biographical information regarding an applicant's career, academic and other relevant experiences, financial need and conclusions that the grant selection committee may draw as to the applicant's motivation, character, ability or potential. Criteria may also include the applicant's place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of his or her artistic, scientific or other special talent.

7. CANDIDATES FOR GRANTS

Scholarship grants recipients must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) full or part-time students who receive a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor's or higher degree, or offers a training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a national recognized accreditation agency.

8. GRANT APPROVAL

The Board of the Foundation shall appoint all members of the scholarship selection committee charged with the evaluation of candidates for scholarship grants. Members of the committee shall be appointed based on objective criteria established by the Board, including members representing diverse segments of the population, members with a demonstrated history of public and community service, members with capacity to foster relationships necessary to identify and solicit applications and nominations for grants. The selection committee shall forward its recommendations to the Board. The Board shall approve each grant recommended by the selection committee provided it is consistent with all policies and procedures of the Foundation. The Board shall appoint members to fill any vacancies on the selection committee using the objective criteria for appointment established by the Board and set forth herein.

9. REPORTING AND SUPERVISION OF GRANTS

Each scholarship grant shall be paid by the Foundation directly to the educational institution for the use of the scholarship recipient. Each educational institution must agree in writing to use the

grant funds to defray the scholarship recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant.

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

If any reports submitted, or other information (including the failure to submit reports) indicate that all or any part of a grant is not being used in furtherance of the purposes of such grant, the Foundation is under a duty to investigate. While conducting its investigation, the Foundation shall withhold further payments to the extent possible until any delinquent reports have been submitted.

If the Foundation learns that all or any part of a grant is not being used in furtherance of the purposes of the grant and the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, the Foundation shall take all reasonable and appropriate steps to recover the grant funds or to ensure restoration of the diverted funds and the dedication of grant funds held by the grantee to the proper grant purposes. If such a diversion occurs and the grantee has not previously diverted grant funds to any use not in furtherance of the purposes of the grant, the Foundation shall withhold any further payments to the grantee until it has received the grantee's assurance that future diversions will not occur and shall require the grantee to take extraordinary precautions to prevent future diversions from occurring.

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

10. RESTRICTIONS

All grants policies shall adhere to the relevant policies of the Foundation as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy.

Every member of any selection committee charged with the evaluation of candidates for grants shall be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others.

No grant covered by this policy may be awarded to any member of the Foundation's Board of Directors, any substantial contributor to the Foundation, any employee of the Foundation, or any other disqualified person.

Candidates for grants may take no part in the selection process.

11. RECORDKEEPING

The Foundation shall retain the following records in connection with all grants:

- All information used to evaluate the qualifications of potential grantees;
- The identification of grantees and any relationship of any grantee to the Foundation or to a director or officer of the Foundation;
- The purpose and amount of each grant; and
- Any additional information the Foundation obtains in complying with its grants administration procedures. Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants.

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

12. MISCELLANEOUS

The Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of grants and the administration of such grants.

13. ADDITIONAL RULES FOR EMPLOYER RELATED GRANT PROGRAMS

PURPOSE. The grant cannot represent compensation for past, present, or future services rendered or to be rendered to the foundation or employer by the employees or their children, and the grant cannot be for studies or research undertaken primarily for the benefit of the Foundation or the employer.

NO INDUCEMENT. The grant program must not be used by the employer or the Foundation to

recruit employees or to induce employees to continue their employment or otherwise follow a course of action sought by the employer.

SELECTION COMMITTEE. Selection of grant recipients must be made by a committee of individuals who are totally independent (except for participation on this committee) and separate from the employer concerned. An individual who is a former of the employee of the employer concerned will not be considered totally independent. Forwarding selections to the employer to verify the eligibility requirements and selection criteria the independent selection committee followed in considering candidates and making its selection will not disqualify the program. Only the selection committee or the Foundation may make public announcement of the awards, however. The awards may be announced in the employer's newsletter, if the Foundation is clearly identified as the grantor.

AMOUNT AND NUMBER OF GRANTS. Grants must be awarded only in the order recommended by the selection committee. The number of grants to be awarded may be reduced but may not be increased from the number recommended by the selection committee. Only the committee may vary the amounts of the grants awarded.

ELIGIBILITY. The program must impose identifiable minimum requirements for grant eligibility. These requirements must relate to the program's purpose and must limit the selection committee's consideration to employees (or children of employees) who meet the minimum standards for admission to an educational organization for which the grants are available (as defined in section 151(e)(4) of the Code). No persons will be considered eligible if they would not reasonably be expected to attend such an organization, however, even if they meet the minimum standards. If an employee must have been employed for some minimum period by the employer, the minimum period of employment may not be more than three years. Moreover, eligibility must not be related to any other employment-related factors, such as the employee's position, services, or duties. The preferential treatment derived from employment must not have any significance beyond that of an initial qualifier. The group of employees, or children of employees, from which grantees are to be selected must be sufficiently broad so that the awarding of grants to members of such a group could be considered consistent with the fulfillment of a purpose described in IRC Section 170(c)(2)(B).

OBJECTIVE BASIS OF SELECTION. Selection of grant recipients must be based only upon substantial objective standards that are completely unrelated to the employment of the recipients or their parents and to the employer's line of business. Such standards may include past academic performance, performance on tests designed to measure ability and aptitude for higher education, recommendations from instructors or other individuals not related to the potential awardees, financial need, conclusions drawn from personal interviews as to motivation and character. The grant must be awarded on an objective and nondiscriminatory basis.

ONGOING EMPLOYMENT. Once a grant has been awarded, it may not be terminated because the recipient or the recipient's parent no longer works for the employer, regardless of the reason for terminating employment. If a grant is awarded for one academic year and the recipient must reapply for an additional grants to continue studies for a later year, the recipient may not be

considered ineligible for a subsequent grant simply because that individual or the individual's parent is no longer employed by the employer. If a grant is awarded for more than one academic year, subject to renewal, renewal standards must be based only on non-employment-related factors such as need and maintenance of scholastic standards. Renewal may not be denied because the recipient or parent has previously terminated employment with the employer. When the grant is awarded or renewed, there must be no requirement, condition, or suggestion, express or implied, that the recipient or the recipient's parent is expected to perform future employment services for the foundation or the employer, or be available for future employment, even though the future employment is at the discretion of the foundation or the employer.

COURSES OF STUDY. Courses of study for which grants are available must not be limited to those that would be of particular benefit to the employer or foundation. If the courses of study for which grants are available include one or more that would be of particular benefit, a grant may not be conditioned on the recipient choosing such a course of study. The recipient must have free choice to use the grant in the pursuit of a course of study for which the grant is otherwise available that is not of particular benefit to the employer or to the foundation. The terms of the grant and the courses of study for which grants are available must be consistent with a disinterested purpose of enabling recipients to obtain an education in their individual capacities only for their personal benefit. Grant terms and courses of study must not include any commitments, understandings, or obligations, conditional or unconditional, suggesting that recipients undertake the studies for the benefit of the employer or the Foundation or that studies' objective is to accomplish any purpose of the employer or the Foundation, even though consistent with its exempt status, other than to enable the recipients to obtain an education in their individual capacities and solely for their personal benefit.

PERCENTAGE TESTS. In the case of a program that awards grants to children of employees of a particular employer, the program has to meet a percentage test. The program meets the percentage test if the number of grants awarded under that program in any year to such children does not exceed 25 percent of the number of employees' children who, (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by the selection committee in selecting the recipients of grants in that year, or 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

In the case of a program that awards grants to employees of a particular employer, the program meets the percentage test if the number of grants awarded under that program in any year to such employees does not exceed 10 percent of the number of employees who, (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by the selection committee in selecting the recipients of grants in that year.

For the purpose of meeting these percentage tests, an employee or child of an employee will be considered eligible only if the individual meets all of the eligibility requirements imposed by the program. Renewals of grants awarded in prior years will not be considered in determining the number of grants awarded in a current year. Grants awarded to children of employees and those awarded to employees will be considered as having been awarded under separate programs for purposes of all of the requirements of this policy, whether or not they are awarded under separately administered programs.