

ELK GROVE REGIONAL SCHOLARSHIP FOUNDATION SCHOLARSHIP POLICY

This policy is effective upon adoption by the Board of the Elk Grove Regional Scholarship Foundation (“EGRSF”) for new scholarships. Exceptions to this policy may only be approved by the Board of the EGRSF. If an exception is approved, such will be entered into the minutes on the day the exception was approved and the reasons therefore. In February of each year, the Scholarship Committee will provide a report to EGRSF of the status of each fund’s compliance with this policy.

EGRSF hereby establishes policies for Yearly Awards, Endowment Funds, and Pass-Through Funds. No other types of funds will be established by the EGRSF.

A. GENERAL

1. As of June 21, 2012, when applied to new scholarships, an Endowment Scholarship is created when a pledge has been made to make contributions totaling at least \$20,000 prior to the end of the sixth year. A yearly award of a minimum of \$1,000 will be encouraged until fully endowed.
2. Prior to becoming a Mature Endowment, each Endowment Scholarship will remain in suspense for no more than 6 years. Only the contributions to an Endowment Scholarship accumulate and contribute toward its attaining a Mature Endowment level. Earnings on Foundation investments, allocations, or non-specific contributions are not added to any Endowment Scholarship. If an Endowment Scholarship does not become a Mature Endowment by the end of the 6th year, the failed Endowment Scholarship balance will revert to the Foundation. An extension may be allowed after Board review.
3. No Endowment Scholarship Units will be awarded unless the Endowment Scholarship becomes a Mature Endowment within 6 years of the establishment of the Endowment Scholarship. At that time, one Endowment Scholarship Unit will be awarded for every \$5,000 in the fund balance. Annually, the Board reserves the right to increase the dollar amount required to become a Mature Endowment for new scholarships.
4. Each Endowment Unit value will be determined annually by the Board with a target goal of a \$250 payout per unit. All new Mature Endowments will award scholarships in a minimum of four (4) units only. Thus, any new or existing mature Endowment Fund may award more than four (4) units as the fund balance allows, but payouts cannot be split into increments less than four (4) units.
5. It is the goal of the Elk Grove Regional Scholarship Foundation that only one scholarship will be given per recipient per year to a high school graduating senior or qualifying college student with the exception to this policy being the Walt Davis Top Ten and the Erika Wiese Scholarship Awards.

B. CONTRIBUTIONS TO MATURE ENDOWMENTS:

1. If additional contributions are pledged to a specific Mature Endowment to increase the increments of \$5,000, said contributions will be held in suspense just like a non-Mature pledged Endowment Scholarship until the pledged contributions attain the expanded level. To attain the Expanded level, accumulated contributions totaling \$5,000 must be received by March 31 of the previous year.
2. Upon attaining the expanded level, one (1) additional Endowment Scholarship Unit will be awarded to that Mature Endowment, and the payout will be increased accordingly.
3. The expanding of a Mature Endowment Scholarship in the manner will allow the named Mature Endowment Scholarship to award scholarships in excess of the minimum amounts. In addition, those Mature Endowment Scholarships with eight (8) or more Scholarship Endowment Units may award multiple scholarships as long as the minimum scholarship awarded is not less than \$1,000.
4. New scholarship applications or requests for modifications to existing scholarships must be received by October 1 in the year preceding the spring Scholarships Awards.
5. Monies for scholarships, including yearly awards, must be received by October 31 in the year preceding the spring Scholarship Awards.

DEFINITIONS

FUND(S): A fund or funds is an accounting entry. Use of the word fund or funds means that individual and aggregate balances of a fund will be reported to the EGRSF Board. There may not necessarily be a segregation of the actual dollars deposited or invested by funds.

FOUNDATION BUDGET: The Accounting entry used to account for all expenses, allocations and non-specific fund receipts.

ENDOWMENT FUND: The Endowment Fund will account for all individual scholarship funds, except for Pass-Through Funds.

ENDOWMENT SCHOLARSHIP UNIT: A payout measurement awarded per \$5,000 Mature Endowment Fund increment.

ENDOWMENT SCHOLARSHIP FUND: An Endowment Scholarship Fund is a transition fund that has not yet attained the committed Endowment Level.

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FULLY FUNDED ENDOWMENT FUND: A Fully Funded Endowment Fund is a scholarship fund that has attained the committed Endowment level, and therefore has or will commence the payout of an annual scholarship.

PASS-THROUGH FUND: The Pass-Through Fund accounts for all specific receipts for scholarships that are designated to be disbursed on an annual basis. The minimum amount for a Pass-Through Fund will be determined by the Foundation Board with an administrative fee.

ENDOWMENT BALANCE: For purposes of determining the amount of scholarship payout, the Endowment balance is the principal balance that existed on March 31st of the previous year (including expanded levels)(i.e. for payout in 2012, the Endowment/Expanded level would be attained by March 31, 2011.)

EARNINGS/LOSSES: The aggregate amount of income or losses derived from all investments held by the EGRSF.

ENDOWMENT FUND

The intent of an Endowment Scholarship Fund is to establish perpetual annual scholarship(s). The goal is for earnings on the funds categorized as endowments to earn enough money so annual earnings equate to at least \$250 per scholarship unit as of June 21, 2012.

CONTRIBUTIONS

All contributions and allocations of additional funds to specific Endowment Scholarship Funds, or Fully Funded Endowment Funds will be added to the principal of the fund.

General contributions that are not fund specific, e.g. Spotlight on Scholarships, etc., will flow into and be accounted for in the Foundation Budget. These will then be allocated as of December 31st in accordance with this policy. Once the EGRSF accepts any contribution, those contributions are exclusively under the control and responsibility of the EGRSF.

PASS-THROUGH FUNDS

A Pass-Through Fund is a one-time scholarship paid annually with no intent to perpetuate a scholarship beyond the initial year. A Pass-Through Fund is established upon the completion and approval of a Pass-Through application together with the receipt of a deposit to the EGRSF in the amount of the Board specified minimum plus an annual processing fee. The entire deposit, plus any additional contributions specific to that Pass-Through Fund during the year, will be disbursed annually toward the designated scholarship. Unless otherwise approved by the EGRSF Board, all Pass-Through Funds will be disbursed with no investment earnings or losses accrued to Pass-Through Funds.

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YEARLY AWARDS

Yearly Awards are monies contributed to increase the amount of a scholarship payout for the current year for a Fully Funded Endowed Scholarship or as a payout for a Partially Funded Endowment Scholarship.

PAYOUT OF ANNUAL SCHOLARSHIPS

It is the primary philosophy of the EGRSF Board to maximize the payout of annual scholarships from the earnings on Fully Funded Endowment Funds. The Foundation will also use earnings as a tool to continue to grow scholarship payouts. Other than Pass-Through Scholarships and Yearly Awards, scholarships will come only from Fully Funded Endowment Funds.

CRITERIA FOR A SCHOLARSHIP

Each application for a Scholarship Fund that is submitted by the donor to the EGRSF will state the criteria to be used to award a Pass-Through or Endowment scholarship. The EGRSF reserves the right to approve or reject the establishment of any Scholarship Fund in its sole and absolute discretion.

CRITERIA MODIFICATION AND POLICY AMENDMENT

Once criteria for a scholarship are approved by EGRSF, the scholarship will only be awarded based on the approved criteria. EGRSF reserves the right to make modifications to scholarship criteria that are necessitated by law or in order to be in compliance with this policy. Upon a written request by the original applicant of a previously approved fund, the EGRSF, in its sole and absolute determination, may approve or disapprove such written requests for amendments or modifications to scholarships, funds, and/or disbursement procedures. The decision by EGRSF on such written requests will then be recorded in the minutes of the Board meeting. The EGRSF reserves the right to modify, amend or delete sections of this policy as previously provided herein.

DISPUTES

EGRSF will attempt to follow the instructions made by the donors on an approved application. However if there is a dispute between the EGRSF and a donor, the decision and interpretation by the EGRSF will control.

SCHOLARSHIP RECIPIENT SELECTION

The selection of an individual to receive a scholarship must be in compliance with the approved criteria as contained on the application to establish a Scholarship Fund.

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Notwithstanding, the minimum grade point average for any scholarship recipient is 2.0 and a scholarship recipient must enroll and attend a post secondary institution or trade school or other vocational education opportunity as deemed reasonable and approved by the Board. Scholarships will then be awarded based upon the applications submitted and their conformance to the approved criteria.

ARMS LENGTH SELECTION PROCESS

In order to preserve the integrity of the EGRSF's Internal Revenue Service Code Section 501(c)(3) status, independence in managing and disbursing funds must be strictly maintained. If during the selection process, a Donor or immediate family member of a Donor participates in the selection process, that person may serve only in an advisory capacity without any vote. The Selection Committee will then request an independent review of their selection to assure that there has been no breach of independence in their selection process. Any scholarship applicant that is an immediate family member to any person serving on that Selection Committee is disqualified. Once the EGRSF accepts contributions, those contributions are exclusively under the control and responsibility of the EGRSF.

[Amended – January 17, 2001.]

DISCLOSURES

EGRSF typically invests in a combination of mutual funds, bonds, equities, and fixed investment instruments in accordance with its investment policy. The EGRSF investment policy will be made available to any donor, upon written request to the EGRSF. While it is the goal of the EGRSF to use prudent investment practices to provide safe consistent earnings, the EGRSF cannot and does not guarantee that there will be funds or earnings available for the payment of any annual scholarship. EGRSF cannot and does not guarantee any rate of return. Once funds are deposited with EGRSF, those funds belong solely to the EGRSF. This policy and any subsequent amendment or exceptions to this policy are subject to change without notice by the Board and changes in the law.