SOUTHERN LUTHERAN ACADEMY ASSOCIATION, INC.
CONFLICT OF INTEREST POLICY

ARTICLE I
PURPOSE

The purpose of the conflict of interest policy is to protect SOUTHERN LUTHERAN ACADEMY ASSOCIATION, INC.'s (the "Organization") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization and prevent the Organization from engaging in or approving a transaction which could be an act of self-dealing between the Organization and a disqualified person. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interests applicable to nonprofit and charitable organizations.

ARTICLE II
DEFINITIONS

1. Covered Person. The term "Covered Person" includes any person that is a "disqualified person" with respect to the Organization as that term is defined in Section 4946(a) of the Internal Revenue Code of 1986 ("IRC" or the "Code"). To the extent not included by the previous sentence, Covered Person also includes any member of an executive committee with Board of Directors delegated powers.

2. Financial Interest. The term "Financial Interest" means an interest of a Covered Person through which a Covered Person directly or indirectly (whether through a corporation, partnership, other business entity, or member of the Covered Person's family (as that term is defined in § 4946(d) of the Code)):

a. Owns an equity interest in any entity with which the Organization has a transaction or arrangement or with which the Organization is negotiating a transaction or arrangement;

b. Is party to a Compensation Arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement or with which the Organization is negotiating a transaction or arrangement; or

c. Has a potential equity interest in or Compensation Arrangement with any entity or individual with which the Organization has a transaction or arrangement or with which the Organization is negotiating a transaction or arrangement.

For purposes of the definition of Financial Interest, the term "Compensation Arrangement" includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

ARTICLE III
BOARD OF DIRECTORS DETERMINATION

With respect to any transaction, contract, or other arrangement between the Organization and a Covered Person or any other transaction contract, or other arrangement in which a Covered Person has a Financial Interest (a "Potential Conflict of Interest"), the following rules shall apply with respect to the Organization and the Covered Person with a Financial Interest in such transaction, contract, or other arrangement:

1. Duty to Disclose. The Covered Person with a Financial Interest with respect to such Potential Conflict of Interest must disclose the existence of the Financial Interest and must disclose all material facts to the Board of Directors. After disclosure of the Financial Interest and all material facts and after any discussion with the Covered Person, the Covered Person shall leave the Board of Directors meeting while the Board of Directors of the Organization determines whether to approve the Potential Conflict of Interest in which the Covered Person has a Financial Interest.

2. Prohibited Transactions. The Organization shall not engage in any transaction, contract, or other arrangement with a Covered Person if such transaction, contract, or other arrangement constitutes an "excess benefit transaction" within the meaning of IRC § 4958(c)(1) (a "Prohibited Transaction"). The Board of Directors (excluding the Covered Person) shall determine if the transaction, contract, or other arrangement constitutes a Prohibited Transaction.

3. Other Transactions. If the subject transaction, contract, or other arrangement is not a Prohibited Transaction, the Board of Directors shall determine whether the Potential Conflict of Interest is fair and reasonable to the Organization and in the best interest of the Organization. The Board of Directors shall only approve a Potential Conflict of Interest if the transaction, contract, or other arrangement is fair and reasonable to the Organization and in the best interests of the Organization. A transaction is not in the best interests of the Organization if the Organization could enter into the same or substantially similar transaction with a person other than a Covered Person on more favorable terms to the Organization than the Potential Conflict of Interest.

4. Procedures for Addressing the Conflict of Interest.

a. A Covered Person may make a presentation at the Board of Directors meeting, but after the presentation, the Covered Person shall leave the meeting during the discussion of, and the vote on, the Potential Conflict of Interest.

b. The chairperson of the Board of Directors shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the Potential Conflict of Interest.

c. After exercising reasonable due diligence, the Board of Directors shall determine (i) whether the Potential Conflict of Interest is a Prohibited Transaction and (ii) whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person other than a Covered Person.

d. The Board of Directors shall not approve a Potential Conflict of Interest unless they determine that:

(i) the transaction is not a Prohibited Transaction by unanimous vote of the Board of Directors (other than the Covered Person with respect to the Potential Conflict of Interest); and

(ii) the Organization could not, with reasonable efforts, obtain a more advantageous transaction or arrangement from a person other than a Covered Person

5. Violations of the Conflicts of Interest Policy.

a. If the Board of Directors has reasonable cause to believe a Covered Person has failed to disclose a Potential Conflict of Interest, it shall inform the Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board of Directors determines the Covered Person has failed to disclose a Potential conflict of Interest, it shall take appropriate disciplinary and corrective action (including, if necessary, requiring the reversal of the prior transaction, contract, or other arrangement).

ARTICLE IV
RECORDS OF PROCEEDINGS

The minutes of the Board of Directors shall contain:

a. The names of the Covered Persons who disclosed or otherwise were found to have a Financial Interest in connection with a Potential Conflict of Interest, the nature of the Financial Interest, any action taken to determine whether the Potential Conflict of Interest was either (a) a Prohibited Transaction or (b) not in the best interests of the Organization, and the Board of Directors' decision as to whether to approve the transaction, contract, or other arrangement.

b. The names of the persons who were present for discussions and votes relating to the Potential Conflict of Interest, the content of the discussion, including any alternatives to the Potential Conflict of Interest, and a record of any votes taken in connection with the proceedings.

ARTICLE V
COMPENSATION

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

2. A voting member of an executive committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

3. No voting member of the Board of Directors or an executive committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information regarding compensation.

4. The Organization shall pay compensation to a Covered Person only for personal services which are reasonable and necessary to carrying out the exempt purpose of the Organization. The Organization shall not pay any Covered Person excessive compensation for any such services.

ARTICLE VII
PERIODIC REVIEWS

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurnment, impermissible private benefit or in an act of self-dealing as defined in § 4941(d) of the Code.

ARTICLE VIII
USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Directors of its responsibility for ensuring periodic reviews are conducted.