

**IOWA LUTHERAN SCHOOL TUITION ORGANIZATION, INC.
CONFLICT OF INTEREST POLICY**

Adopted by Board of Directors

**ARTICLE I
PURPOSE**

The purpose of the conflict of interest policy is to protect Iowa Lutheran School Tuition Organization, Inc.'s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of Iowa Lutheran School Tuition Organization, Inc. or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**ARTICLE II
DEFINITIONS**

2.1 Interested Person. Any director, principal officer, or member of a committee with governing board-delegated powers, who has a direct or indirect Financial Interest, as defined below, is an Interested Person.

2.2 Financial Interest. A person has a Financial Interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which Iowa Lutheran School Tuition Organization, Inc. has a transaction or arrangement,
- b. A compensation arrangement with Iowa Lutheran School Tuition Organization, Inc. or with any entity or individual with which Iowa Lutheran School Tuition Organization, Inc. has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with Iowa Lutheran School Tuition Organization, Inc. is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A Financial Interest is not necessarily a conflict of interest. Under Section 3.2 of this Policy, a person who has a Financial Interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

**ARTICLE III
PROCEDURES**

3.1 Duty to Disclose. In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the financial interest and be given the

opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

3.2 Determining Whether a Conflict of Interest Exists. After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, that person shall leave the board of directors meeting or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board, or committee members, shall decide if a conflict of interest exists.

3.3 Procedures for Addressing the Conflict of Interest.

- a. An interested person may make a presentation at the Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee meeting, but after the presentation, that person shall leave the meeting during the discussion of and the vote on the transaction or arrangement involving the possible conflict of interest.
- b. The Chairman of the Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee, shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee, shall determine whether Iowa Lutheran School Tuition Organization, Inc. can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee, shall determine, by a majority vote of the disinterested directors, whether the transaction or arrangement is in the best interest of Iowa Lutheran School Tuition Organization, Inc., for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

3.4 Violations of the Conflicts of Interest Policy.

- a. If the Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee, has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member 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 Iowa Lutheran School Tuition Organization, Inc. board of directors, or its committee, determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV
RECORDS OF PROCEEDINGS

The minutes of the Iowa Lutheran School Tuition Organization, Inc. board of directors, and all of its committees with board-delegated powers, shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Iowa Lutheran School Tuition Organization, Inc. board of director's or its committee's decision, as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

ARTICLE V
COMPENSATION

5.1 A voting member of the Iowa Lutheran School Tuition Organization, Inc. board of directors who receives compensation, directly or indirectly, from Iowa Lutheran School Tuition Organization, Inc. for services is precluded from voting on matters pertaining to that Director's compensation.

5.2 A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Iowa Lutheran School Tuition Organization, Inc. for services is precluded from voting on matters pertaining to that committee member's compensation.

5.3 No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Iowa Lutheran School Tuition Organization, Inc., either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI
ANNUAL STATEMENTS

Each director, principal officer, and member of a committee with Iowa Lutheran School Tuition Organization, Inc. board of director's delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy;
- b. Has read and understands the policy;
- c. Has agreed to comply with the policy; and
- d. Understands Iowa Lutheran School Tuition Organization, Inc. is charitable and in order to maintain its federal tax exemption it must engage primarily in activities

which accomplish one or more of its tax-exempt purposes.

ARTICLE VII PERIODIC REVIEWS

To ensure Iowa Lutheran School Tuition Organization, Inc. 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 are the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to Iowa Lutheran School Tuition Organization, Inc.'s written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

ARTICLE VIII USE OF OUTSIDE EXPERTS

When conducting the periodic reviews, as provided for in Article VII, Iowa Lutheran School Tuition Organization, Inc. may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.