

CONFLICT OF INTEREST POLICY

ADOPTED BY RESOLUTION OF THE BOARD OF DIRECTORS OF OPEN LIBRARY FOUNDATION

ARTICLE I

Purpose

The purpose of this conflict of interest policy is to protect the interests of Open Library Foundation (the “Organization”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director of the Organization 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 conflicts of interest applicable to nonprofit and charitable organizations.

ARTICLE II

Definitions

1. **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 the Organization has a transaction or arrangement;
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement; or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization 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 Article III, Section 2, a person who has a financial interest has a conflict of interest only if the Board of Directors (the “Board”), or a committee exercising Board-delegated powers (the “committee”), as the case may be, decides that a conflict of interest exists.

Where an excess benefit transaction would result if the Board or committee were to approve the transaction or arrangement, the Board or committee shall not approve the transaction or arrangement. For purposes of this policy, an “excess benefit transaction” is any transaction in which an economic benefit is provided by the Organization, directly or indirectly, to or for the use of a disqualified person and the value of the economic benefit provided by the Organization exceeds the value of the consideration (including the performance of services) received by the Organization. A “disqualified person” is any person who was in a position to exercise substantial influence over the affairs of the Organization at any time during a five-year lookback period, ending on the date of the transaction.

2. Interested Person

Any director, principal officer, or member of a committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

ARTICLE III
Procedures

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 Board or committee considering the proposed transaction or arrangement.

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, he/she shall be recused from the Board or committee 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. In making the decision as to whether a conflict of interest exists, a conflict of interest will be presumed to exist where, in the judgment of the disinterested Board or committee members: (a) the outside interests or activities (such as financial interests) of a Board or committee member interfere or compete with the Organization's interests; (b) the stake of a Board or committee member in a transaction or arrangement is such that it reduces the likelihood that such Board or committee member's influence can be exercised impartially in the best interests of the Organization; or (c) a Board or committee member has divided loyalties.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the Board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the Board or 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 Board or committee shall determine whether the Organization 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 not producing a conflict of interest is not reasonably possible under circumstances, the Board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, 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.

4. **Violations of the Conflict of Interest Policy**

- a. If the Board 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 Board 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 Board and all 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 Board's or 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

- a. A voting member of the Board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any 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.
- c. No voting member of the Board or any 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 to any committee regarding compensation.

ARTICLE VI
Annual Statements

Each director, principal officer and member of a committee with Board-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 the Organization 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 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 inurement, impermissible private benefit or in an excess benefit transaction.

The copy of the Organization's Conflict of Interest Annual Disclosure Statement, as amended from time to time, is attached hereto as Exhibit A.

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 governing board of its responsibility for ensuring periodic reviews are conducted.

EXHIBIT A

ACKNOWLEDGMENT AND DISCLOSURE FORM

The undersigned person, who serves on the Board of Directors of Open Library Foundation (the “Organization”), hereby confirms that the undersigned has read and does understand the Organization’s Conflict of Interest Policy and has received a copy of such Policy for present and future reference.

The undersigned agrees to take appropriate action with respect thereto, including initiative in disclosing activities, interests or relationships wherever an actual or potential conflict may exist, and to otherwise comply in all respects with the Conflict of Interest Policy.

Consistent with the foregoing, the undersigned makes the following disclosure in accordance with applicable reporting responsibilities (if none, please write “NONE”).

Name: _____

Signature: _____

Date: _____