

**READING LEGACIES
CONFLICT OF INTEREST POLICY**

**Article I
*Purpose***

The purpose of this Conflict of Interest Policy (“Policy”) is to protect the READING LEGACIES (the “Corporation”) interests when its Board of Trustees (“Board”) is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director/trustee of the Corporation. This policy is intended to supplement but not replace any applicable federal or state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

**Article II
*Definitions***

1. Interested Person

Any director/trustee, 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. In addition, any family member of an interested person shall also be considered an interested person. For purposes of this Policy, “family member” shall include any persons meeting the following criteria within the 60 months preceding the approval vote: spouses, brothers or sisters (by whole or half blood), spouses of brothers or sisters (by whole or half blood), ancestors, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great grandchildren.

2. Financial Interest

A person has 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 Corporation has a transaction or arrangement, or
- b. a compensation arrangement with a corporation or with any entity or individual with which the Corporation 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 Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

Article III ***Procedures***

1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must at the time of each Board discussion of an item as to which he or she has an conflict of interest, disclose the existence and nature of his or her financial interest and all material facts to the Board and all members of any committees with Board delegated powers 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, all interested persons shall leave the Board or committee meeting while the Board discusses and votes upon whether the Corporation will conduct the transaction. The remaining Board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that presents the 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. The Board shall obtain adequate information to conduct a thorough analysis of whether the Corporation is receiving fair market value in the transaction.
- d. After exercising due diligence, the Board or committee shall determine whether the Corporation can, with reasonable efforts, obtain a more advantageous transaction or arrangement from a person or entity with whom the Corporation does not have a conflict of interest.
- e. If a more advantageous transaction or arrangement is not reasonably attainable, the Board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit, and whether the transaction is fair and reasonable to the Corporation, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violation of the Conflicts of Interest Policy

- a. If the Board or committee has reasonable cause to believe that a member has failed to disclose an actual or possible conflict 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 response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact willfully 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 the following:

1. The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest, the nature of the interest, any action taken to determine whether a conflict of interest was present, including any and all information reviewed by the Board or committee in making its decision, and the board's or committee's decision as to whether a conflict of interest in fact existed.
2. The names of persons who were present for discussion of 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 therewith.

Article V ***Compensation Committees***

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's 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 that 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 that the Corporation is a charitable organization and that in order to maintain its federal and state tax exemptions it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII
Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal and state income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether any transactions entered into since the prior periodic review resulted in inurement or impermissible private benefit.

Article VIII
Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used, such use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

Article IX
Questionnaire

In order to assist the Corporation in complying with federal and state requirements, including but not limited to those set forth in Internal Revenue Code section 4958, and in the California Corporations Code, all Board members shall annually (and upon election to the Board) complete the attached questionnaire. Completion of the questionnaire shall not relieve any Board member of his or her duty to advise the Board of any actual or potential conflict of interest concerning any matter before the Board, as set forth in Article III, Section 1.