

STILLWATER PUBLIC LIBRARY
Conflict of Interest Policy

PURPOSE:

No Board member of the Stillwater Public Library (the "Library") shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation on the Board. Other than compensation, no key person shall derive any personal profit or gain, directly or indirectly, by reason of his or her employment by the Library except through activities that may facilitate professional advancement or contribute to the profession such as publications and professional service and have been fully disclosed to the Board.

POLICY:

Article I - Purpose

The purpose of this conflict of interest policy (this "Policy") is to protect the Library's interest when it is contemplating entering into a transaction, agreement or other arrangement that might benefit the private interest of an officer, trustee or Key Person (as such term is defined herein) of the Library 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

1. "Interested Person" means any trustee, officer or Key Person who has a Financial Interest (as such term is defined below).
2. "Financial Interest" means, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Library has a transaction or arrangement;
 - b. A compensation arrangement with any entity or individual with which the Library 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 Library is negotiating a transaction or arrangement.
3. "Key Person" means any person, other than a trustee or officer, regardless of whether such person is an employee of the Library, who (a) has responsibilities,

or exercises powers or influences over the Library as a whole similar to the responsibilities, powers, or influence of the trustees and Officers; (b) manages the Library, or a segment of the Library that represents a substantial portion of the activities, assets, income or expenses of the Library; or (c) alone or with others controls or determines a substantial portion of the Library's capital expenditures or operating budget.

4. "Officer" means any of the elected officers of the Board of Trustees (the "Board"), the Director, and the Treasurer.
5. "Related Party" means any (a) any trustee, officer or Key Person of the Library or any Affiliate of the Library, (b) any Relative (as such term is defined herein) of any trustee, Officer or Key Person of the Library or any Affiliate of the Library or (c) any entity in which any individual described in (a) or (b) above has a twenty-five percent (25%) or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of five percent (5%).
6. "Related Party Transaction" means any transaction, agreement or any other arrangement in which a Related Party (as such term is defined herein) has a financial interest and in which the Library or any Affiliate of the Library is a participant, except that a Related Party Transaction shall not fall within this definition if (a) the transaction or the Related Party's financial interest in the transaction is de-minimis, (b) the transaction would not customarily be reviewed by the Board or by boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms, or (c) the transaction constitutes a benefit provided to a Related Party solely as a member of a class of the beneficiaries that the Library intends to benefit as part of the accomplishment of its mission which benefit is available to all similarly situated members of the same class on the same terms.
7. "Relative" of an individual means his or her spouse or domestic partner, ancestors, siblings (including siblings by birth or adoption, and half- or step-siblings), children (including children by birth or adoption and step-children), grandchildren, great-grandchildren and spouses or domestic partners of siblings, children, grandchildren and great-grandchildren.
8. "Affiliate" of the Library means any entity controlled by, or in control of, the Library.

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 may have a conflict of interest only if the Board or an authorized committee thereof decides that a conflict of interest exists.

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 and any authorized 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 leave the Board or committee meeting while the determination of a conflict of interest is deliberated and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists. The Board or committee shall be permitted to request that the Interested Person present information as background or answer questions at a committee or Board meeting prior to the commencement of deliberations or voting related to the potential conflict of interest.

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 deliberation of, and the vote on, the transaction or arrangement involving the possible conflict of interest. The Interested Person shall not attempt to improperly influence the deliberation of or vote on the matter giving rise to the potential 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 Library 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 Board or committee shall determine by a majority vote of the disinterested

trustees whether the transaction or arrangement is in the Library'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 Conflicts of Interest Policy
 - a. If the Board or committee has reasonable cause to believe a person has failed to disclose an actual or possible conflict of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
 - b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board or committee determines the person 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. No member of the Board may receive direct compensation from the Library. A voting member of the Board who receives compensation from the Library for services, indirectly, is precluded from voting on matters pertaining to that member's compensation. For purposes of this article, reimbursement of reasonable expenses incurred in performance of duties as a trustee is not compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or

indirectly, from the Library 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 Library, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI - Annual Statements

1. Annual Statements

Each trustee, officer and Key Person shall annually sign a statement (the "Annual Statement") which affirms such person:

- a. Has received a copy of the Policy,
- b. Has read and understands the Policy,
- c. Has agreed to comply with the Policy,
- d. Understands the Library is charitable and in order to maintain its tax exempt status it must engage primarily in activities which accomplish one or more of its tax-exempt purposes, and
- e. Has set forth existing potential conflicts of interest.

The form of Annual Statement to be used by the Library is attached as Appendix A.

2. Statement Required Prior to Trustee taking office

Each trustee of the Library shall be required to complete, sign and submit the Annual Statement to the Secretary of the Library prior to such trustee taking office.

Article VII - Periodic Reviews

To ensure the Library operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status or are otherwise unlawful, 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, or other arrangements conform to the Library'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, the Library may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

Article IX - Related Party Transactions

1. In General

The Library shall not enter into a Related Party Transaction (as such term is defined in Article II, Section 6 of this Policy) unless such transaction is determined by the Board, or an authorized committee thereof, to be fair, reasonable and in the Library's best interest at the time of such determination. Any trustee, officer or Key Person who has an interest in a Related Party Transaction shall disclose in good faith to the Board, or an authorized committee thereof, the material facts concerning such interest.

2. Procedure

Except as otherwise provided herein, the procedure for disclosing, addressing and documenting a Related Party Transaction shall be in accordance with the procedures set forth in Article III Section 1, Article III Section 3 and Article IV of this Policy, respectively.

3. Extraordinary Related Party Transactions

With respect to any Related Party Transaction in which a Related Party has a substantial financial interest, the Board, or an authorized committee thereof, shall:

- a. Prior to entering into the transaction, consider alternative transactions to the extent available;
- b. Approve the transaction by not less than a majority vote of the Board or committee members present at the meeting (so long as there is a quorum); and

- c. Contemporaneously document in writing the basis for the Board's or authorized committee's approval, including its consideration of any alternative transactions.

4. Failure to Comply; Ratification of Related Party Transactions

With respect to any Related Party Transaction not approved in accordance with the procedures set forth above in this Article IX at the time such Related Party Transaction was entered into, the Board, or an authorized committee thereof, may subsequently ratify the transaction if the Board or authorized committee thereof:

- a. Finds in good faith that the Related Party Transaction is fair, reasonable and in the Library's best interest at the time of such approval, and with respect to any Related Party Transaction in which a Related Party has a substantial financial interest, the Board or authorized committee thereof considers alternative transactions to the extent available and approves the transaction by not less than a majority vote of the Board or committee members present at the meeting (so long as there is a quorum);
- b. Documents in writing the nature of the violation of this Article IX and the basis for the Board's or authorized committee's ratification of the transaction; and
- c. Implements procedures to ensure that the Library complies with Sections 1 through 3 of this Article IX with respect to Related Party Transactions in the future.

RESPONSIBILITY

The Board of Trustees has the ultimate responsibility for ensuring compliance with this policy by all trustees, officers, and Key Persons. A signed copy of the Annual Statement attached hereto as Appendix A will be completed on an annual basis by each trustee, officer, and Key Person of the Library and will be maintained in the office of the Library Director.

APPROVED ON: July 11, 2017

REVIEW DATE: 3/13/2018