

CONFLICT OF INTEREST POLICY OF CALEDONIA LIBRARY ASSOCIATION

Article I Purpose

The purpose of this conflict of interest policy is to protect the Caledonia Library Association'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 Employee (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 Employee 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 Employee” means any person who is in a position to exercise substantial influence over the affairs of the library. The term Key Employee expressly includes the Director.
4. “Related Party” means any (a) any trustee, officer or Key Employee of the library, (b) any relative of any trustee, officer or Key Employee of the library (c) any entity in which any individual described in (a) or (b) above has a thirty-five percent (35%) 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%).
5. “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.

6. “Relative” of an individual means his or her spouse, ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren and spouses of brothers, sisters, children, grandchildren and great-grandchildren and domestic partner.
7. “Affiliate” of the library means any entity controlled by, in control of, or under common control with 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 library’s board of trustees (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.

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 president of the Board or committee chair 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.

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

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 5 of this Policy) unless such transaction is determined by the Board to be fair, reasonable and in the library's best interest at the time of such determination. Any trustee, officer or Key Employee 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 I and Article III Section 3.

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