

Conflict of Interest Policy

Article I Purpose

The purpose of this policy is to protect the interests of the Mohawk Valley Library System (the System) when it is contemplating entering into a Transaction or arrangement that might benefit the private interest of an officer or key employee of the System or might result in an excess benefit transaction. This policy is intended to supplement, not replace, any applicable state and federal laws.

Article II Definitions

OFFICER means a member of the Board of Trustees of the System, or of any of its committees, excluding advisory committees.

KEY EMPLOYEE means any employee who has ultimate responsibility for implementing the decisions of the Board of Trustees; or for supervising the management, administration, or operation of the System; or for managing the finances of the System. Other employees may be deemed to be Key Employees based on an evaluation of all facts and circumstances guided by 26 CFR §53.4958-3 subd.(e).

INTEREST means a financial or other material benefit which will accrue to the Officer or Key Employee, or to a Family Member or a Business Associate, from a Transaction. A gift or favor received by the Officer or Key Employee from another party to the proposed Transaction during the period when the Transaction is being considered also constitutes an Interest in the Transaction.

FAMILY MEMBER includes: the Officer's or Key Employee's ancestors, descendants, siblings, spouse, or domestic partner; the spouse or domestic partner of any of the Officer's or Key Employee's ancestors, descendants, or siblings; and the ancestors, descendants, or siblings of the Officer's or Key Employee's spouse or domestic partner.

ANCESTOR includes parents, grandparents, and great-grandparents in addition to more remote ancestors.

BUSINESS ASSOCIATE means any for-profit or not-for-profit entity of which the Officer or Key Employee is an employee, owner, or member of the governing board, or in which the Officer or Key Employee has a beneficial interest. A

publicly-traded corporation shall not be considered a Business Associate if the total amount of stock in that corporation owned by the Officer or Key Employee and all the Officer's or Key Employee's Family Members and Business Associates is five percent (5%) or less of the issued and outstanding stock of the corporation.

TRANSACTION means any contract or other arrangement to which the System is a party.

INTERESTED PERSON means an Officer or Key Employee who has an Interest in a Transaction.

CONFLICT OF INTEREST means that the Officer or Key Employee has a substantial financial interest in the proposed Transaction.

A RELATED PARTY TRANSACTION is a Transaction in which an Officer or Key Employee has any financial interest.

Article III Procedures

1. An Officer or Key Employee who realizes that they may have an Interest in a proposed Transaction being considered by the Board of Trustees or a committee will refrain from discussing the Transaction with members of the Board or of the committee, except to the extent necessary to disclose the Interest, and will also refrain from seeking in any other way to influence the decision concerning that Transaction.
2. When the Board of Trustees or a committee is considering a Transaction in which an Interested Person who is a member of the Board or that committee has an Interest, the Interested Person must, at the earliest opportunity, disclose to the remaining members of the Board or the committee the existence of the Interest and all material facts concerning it.
3. After disclosing the Interest and all material facts concerning it, the Interested Person shall leave the Board or committee meeting, and the remaining Board or committee members shall review the information provided and determine whether a Conflict of Interest or Related Party Transaction exists.
4. If the Board or committee determines that a Conflict of Interest or Related Party Transaction exists, the Interested Person shall not be present when the Transaction is discussed and may not participate in the decision whether to enter into the Transaction.

5. Before approving or recommending the Transaction, the Board or committee shall conduct a reasonable investigation of the available alternatives to the proposed Transaction. If, from that investigation, it appears that the System cannot with reasonable effort obtain a more advantageous Transaction from a source that would not give rise to a Conflict of Interest or Related Party Transaction, the Board or committee may approve or recommend the Transaction if it determines by the affirmative vote of a majority of the entire Board or of the committee that the Transaction is fair, reasonable, for the System's own benefit, and in its best interest.

6. The minutes of any meeting of the Board or of a committee at which an Officer's or Key Employee's Interest in a Transaction is discussed shall include: the name of each Officer or Key Employee who disclosed, or who was otherwise discovered to have, an Interest in the Transaction; the nature of each such Interest; the decision of the Board or committee concerning whether a Conflict of Interest or Related Party Transaction exists; and the rationale underlying the Board's or the committee's decision.

7. The minutes of any meeting at which the Board or a committee discussed a Transaction in which an Officer or Key Employee has an Interest that constitutes a Conflict of Interest or Related party Transaction shall include: the names of all persons who were present during the discussion of the Transaction; the content of the discussion, including any alternatives which were considered; the names of all persons who were present during any vote relating to the Transaction; and a record of each vote.

8. The failure to disclose an Interest in a proposed Transaction is cause for removal from the Board or the committee, and cause for employee discipline up to and including termination.

Article IV **Initial and Annual Statements**

1. Each Officer shall, before assuming office, and each Key Employee shall, before commencing the duties of the position, sign a statement which affirms that the Officer or Key Employee:

- a. Has received a copy of this policy;
- b. Has read, and understands, the policy;
- c. Has agreed to comply with the policy; and
- d. Understands that the System can maintain its federal tax-exempt status only if it engages primarily in activities which accomplish one or more of its tax-exempt purposes.

2. Each Officer or Key Employee shall, before assuming office or commencing the duties of the position, and annually thereafter, file with the System's Secretary a written statement disclosing, to the best of the Officer's or Key Employee's knowledge, any of the Officer's or Key Employee's Business Associates with which the System has a relationship, and any Transaction in which the System is a participant in which the Officer or Key Employee might have a conflicting Interest.

Article V Periodic Reviews

1. To ensure that the System operates in a manner consistent with its 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, address:

a. Whether compensation arrangements and benefits are reasonable, based on relevant survey information, and are the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the System's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in an impermissible private benefit or an excess benefit transaction.

2. When conducting such reviews the System may, but need not, use outside advisors, but their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Approved: 8/7/2014