

Library Trustee, Officer and Employee Conflict of Interest Policy

ARTICLE I

Purpose

The purpose of this Conflict of Interest Policy is to protect the Brookhaven Free Library when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, trustee, or Key Employee of the Brookhaven Free Library. It provides guidelines for handling perceived, potential or actual Conflicts of Interest and addresses procedures and disclosures of Related Party Transactions. This policy is intended to supplement but not replace any applicable state and federal laws governing Conflict of Interest applicable to the Brookhaven Free Library.

ARTICLE II

Definitions

Section 2.1. Interested Person. An Interested Person is any trustee, officer, employee or member of a committee with powers delegated by the Board of Trustees, who (1) has a direct or indirect Financial Interest, as defined below, and/or (2) is a Related Party, as defined below.

Section 2.2. Disinterested Trustee. A Disinterested Trustee is any trustee who is not an Interested Person.

Section 2.3. Relative. A Relative of an individual means his or her spouse or domestic partner, 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.

Section 2.4. Financial Interest. A person has a Financial Interest if the person has, directly or indirectly, through business, investment, or a Relative:

- (A) An ownership or investment interest in any entity with which the Brookhaven Free Library has a transaction or arrangement;
- (B) A compensation arrangement with the Brookhaven Free Library or with any entity or individual with which the Brookhaven Free 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 Brookhaven Free Library is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Section 2.5. Substantial Financial Interest. A Financial Interest in a Related Party transaction is a "Substantial Financial Interest" if, in the discretion of the Board after giving

due consideration to the material facts and circumstances of the Financial Interest as presented, the Board determines that such Financial Interest is substantial.

Section 2.6. Related Party. A Related Party includes:

- (A) any trustee, officer or Key Employee of the Brookhaven Free Library or any Affiliate of the Brookhaven Free Library;
- (B) any Relative of any trustee, officer or Key Employee of the Brookhaven Free Library or any Affiliate of the Brookhaven Free Library; or
- (C) any entity in which any individual described in clauses (A) and (B) of this section has a thirty-five percent 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.

Section 2.7. Key Employee. A Key Employee is any person who is in a position to exercise substantial influence over the affairs of the Brookhaven Free Library.

Section 2.8. Affiliate of the Brookhaven Free Library. An Affiliate of the Brookhaven Free Library means any entity controlled by, in control of, or under common control with the Brookhaven Free Library.

Section 2.9. Related Party Transaction. A Related Party Transaction means any transaction, agreement or any other arrangement in which a Related Party has a Financial Interest and in which the Brookhaven Free Library or any Affiliate of the Brookhaven Free Library is a participant.

Section 2.10. Conflict of Interest. A Conflict of Interest exists if an outside interest or activity influences or appears to influence the ability of an individual to exercise objectivity or impair the individual's ability to perform his or her responsibility in the best interests of the Brookhaven Free Library.

ARTICLE III Disclosure

Section 3.1. Initial Disclosure. Prior to the initial election of any trustee, officer, or member of a committee with powers delegated by the Board or hiring of any Key Employee, the prospective trustee, officer, committee member, or Key Employee shall complete, sign and submit to the President of the Board of Trustees a written Disclosure Statement, attached as Appendix A, identifying, to the best of his or her knowledge, the following information:

- (A) any entity of which such prospective trustee, officer, committee member, or Key Employee is an officer, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the Brookhaven Free Library has a relationship; and

- (B) any transaction in which the Brookhaven Free Library is a participant and in which the prospective trustee, officer, committee member, or Key Employee might have a Financial Interest that may give rise to a Conflict of Interest or Related Party Transaction.

Section 3.2 Annual Disclosure. Each trustee officer, member of a committee with powers delegated by the Board of Trustees, and Key Employee shall annually submit to the President of the Board of Trustees the written Disclosure Statement, attached as Appendix A, in which such person:

- (A) identifies, to the best of his or her knowledge, the information specified in Paragraphs (A) and (B) of Section 3.1 of this Article;
- (B) affirms that he or she has received a copy of the Conflict of Interest Policy, read and understands the policy, agrees to comply with the policy, and understands the Brookhaven Free Library 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.

Section 3.3 Continuing Duty to Disclose. In connection with any actual or possible Conflict of Interest or Related Party Transaction which may arise in the ordinary course of the year and within Board or committee meetings, an Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose all material facts to the Board of Trustees. Such disclosure may be made in a written statement or orally at a meeting of the Board, provided that such oral disclosure must be documented in the minutes of the meeting at which such disclosure is made.

ARTICLE IV

General Procedures

Section 4.1. General Prohibitions.

- (A) An Interested Person is precluded from being present at or participating in any Board or committee deliberation or vote related to the transaction or arrangement giving rise to a Conflict of Interest or Related Party Transaction. Notwithstanding the foregoing, the Board of Trustees may request that an Interested Person present information to the Board prior to the commencement of deliberations or voting relating thereto.
- (B) An Interested Person shall not directly or indirectly attempt to influence improperly the deliberation or voting on the transaction or arrangement giving rise to the conflict.

Section 4.2. Determining Whether a Conflict of Interest or Related Party Transaction Exists.

- (A) After the Interested Person's disclosure of the existence of and all material facts relating to his or her Financial Interest as required under Article III, and

after any discussion among the remaining members of the Board of Trustees and the Interested Person regarding the facts and circumstances of the Financial Interest, the Board of Trustees shall make the determinations required by Paragraphs (C) and (D) of this Section 4.2, provided the Interested Person leaves the meeting while the remaining members of the Board of Trustees discusses the information disclosed.

- (B) Upon discussion, the remaining Board members shall decide and document in the meeting minutes if the transaction or arrangement constitutes a Related Party Transaction as defined in Article II, Section 2.9. If so, then the Board of Trustees must also determine and document in the meeting minutes whether the Related Party has a Substantial Financial Interest, as defined in Article II, Section 2.5, in the proposed Related Party Transaction. Regardless of whether or not the Financial Interest is a Substantial Financial Interest, a Related Party Transaction is subject to the procedures set forth in Article V.
- (C) If the transaction or arrangement does not constitute a Related Party Transaction as defined in Article II, Section 2.9, then the remaining Board members in their discretion shall decide if a Conflict of Interest, as defined in Article II, Section 2.10, exists nonetheless, after giving due consideration to the material facts and circumstances presented. If the Board determines that the transaction or arrangement involves a Conflict of Interest, then such transaction or arrangement is subject to the procedures set forth in Article V.

ARTICLE V

Procedures for Addressing Conflicts of Interest & Related Party Transactions.

Section 5.1. Consideration of Alternatives.

- (A) If the transaction or arrangement is a Related Party Transaction in which the Related Party has a Substantial Financial Interest, then consideration of alternatives in accordance with this section is mandatory. For all other Conflicts of Interest, consideration of alternatives is within the discretion of the Board of Trustees.
- (B) After disclosure and discussions with the Interested Person, the Board of Trustees may appoint a Disinterested Trustee or committee of Disinterested Trustees to investigate alternatives to the proposed transaction or arrangement. Alternatives must be presented to the Board of Trustees and must be documented in the minutes of the meeting at which the determination is made.
- (C) If alternatives are investigated and presented to the Board, then after exercising due diligence and giving due consideration for any such alternative transactions presented, the Board of Trustees shall determine whether the Brookhaven Free 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 or Related Party Transaction.

Section 5.2. Board Decision.

- (A) If alternatives are considered, whether mandatory or discretionary, and if the Board of Trustees determines that a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a Conflict of Interest or Related Party Transaction, the Board of Trustees shall determine by a majority vote of the Board whether the transaction or arrangement is in the Brookhaven Free Library's best interest, for the Brookhaven Free Library's own benefit, and whether it is fair and reasonable.
- (B) In conformity with the above determination, the Board of Trustees shall make its decision as to whether to enter into the transaction or arrangement.
- (C) If the transaction or arrangement involves a Related Party Transaction in which the Related Party has a Substantial Financial Interest, then a majority of the Board members present at the meeting is required to approve such transaction.

Section 5.3. Documentation Required. In connection with all actual or possible Conflicts of Interest and Related Party Transactions, the Board of Trustees shall document in the minutes of the meeting at which such determinations are made the following:

- (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 or Related Party Transaction, the nature of the Financial Interest, any action taken to determine whether a Conflict of Interest or Related Party Transaction was present, and the Board's decision as to whether a Conflict of Interest, Related Party Transaction or Substantial Financial Interest in a Related Party Transaction 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 discussions at the meeting regarding the proposed transaction or arrangement, including the alternatives to the proposed transaction or arrangement considered, if any.
- (C) The determination as to whether the transaction or arrangement is fair, reasonable and in the Brookhaven Free Library's best interest.
- (D) The determination as to whether to enter into the transaction or arrangement which gives rise to the Conflict of Interest or Related Party Transaction. If the Board of Trustees approves a Related Party Transaction

in which the Related Party has a Substantial Financial Interest, then the minutes must also include the basis for such approval.

- (E) A record of any votes taken in connection with the proceedings.

ARTICLE VI Oversight & Reviews

Section 6.1. Violation of the Conflict of Interest Policy.

- (A) If the Board of Trustees has reasonable cause to believe a trustee, officer or Key Employee has failed to disclose an actual or possible Conflict of Interest or Related Party Transaction, it shall inform such person of the basis for such belief and afford such person an opportunity to explain the alleged failure to disclose.
- (B) If, after hearing the response of the trustee, officer or Key Employee and after making further investigation as warranted by the circumstances, the Board of Trustees determines that the trustee, officer or Key Employee has failed to disclose an actual or possible Conflict of Interest or Related Party Transaction, it may take appropriate disciplinary and corrective action, up to and including dismissal or termination, and referral to the New York State Board of Regents for possible removal of a trustee, pursuant to Education Law Section 226.

Section 6.2. Periodic Reviews. To ensure the Brookhaven Free Library operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Board shall conduct periodic reviews. 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 Brookhaven Free Library's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in impermissible or excessive benefit.

Section 6.3. Use of Outside Experts. When conducting the periodic reviews as provided for in Article VI, Section 6.3, the Brookhaven Free Library may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Trustees of its responsibility for ensuring periodic reviews are conducted.

Appendix A

**DISCLOSURE STATEMENT
OF
THE BROOKHAVEN FREE LIBRARY**

The undersigned, being a trustee, officer, and/or Key Employee of the Brookhaven Free Library, hereby acknowledges and confirms the following:

- (1) I have received, read and understand the Brookhaven Free Library's Conflict of Interest Policy in effect as of the date written below, and I agree to comply with the Conflict of Interest Policy.
- (2) I understand that the Brookhaven Free Library is educational and/or 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.
- (3) **Personal Interests & Relationships.** I am an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or an employee of the following entities with which the Brookhaven Free Library has a relationship: *[If none, please write "None." If such interests exist, please specify the capacity in which you hold such an interest (for example, employee, director, or owner). If an owner, please specify your percentage ownership].*

- (4) **Interests & Relationships of Relatives.** A Relative (spouse or domestic partner, 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) of mine is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or an employee of the following entities with which the Brookhaven Free Library has a relationship: *[If none, please write "None." If such interests exist, please specify the Relative (for example, sibling or spouse) and the Relative's position (for example, employee, director, or owner). If an owner, please specify the percentage ownership].*

Appendix A

(5) **Transactions.** The Brookhaven Free Library is a participant in the following transactions in which I or my Relative may have a Financial Interest that may give rise to a Conflict of Interest or Related Party Transaction, as defined in the Conflict of Interest Policy. *[If none, please write "None." If such transaction(s) exists, please specify the transaction and the potential financial interest involved and whether you or a Relative has such an interest for any such transaction(s). Please specify the Relative and their position, if applicable.]*

I certify that the above statements are true and correct to the best of my knowledge.

Name: _____

Position: _____

Signature: _____

Date: _____

Adopted: 10/16/18