

PATTERSON LIBRARY

CONFLICT OF INTEREST

Purpose

All Trustees, Officers, and Key Employees owe a duty of loyalty to the Patterson Library (the "Library") that requires them to exercise their powers in good faith and in the best interests of the Library. A conflict of interest occurs whenever the interests of the Library conflict with a competing Financial Interest of a Trustee, Officer, Key Employee or other Related Party. The purpose of this Conflict of Interest Policy (the "Policy") is to protect the interests of the Library, a tax-exempt, not-for-profit association library, when it is contemplating entering into a transaction or arrangement that might benefit a Related Party.

This policy supplements, but does not replace, any applicable state or federal laws regarding conflicts of interest which are applicable to not-for-profit and tax-exempt organizations.

Duty to Disclose

Prior to his or her election to the Board or employment at the Library, and annually after that, each Trustee, Officer, and Key Employee must disclose in writing (to the best of his or her knowledge):

- a. Any entity of which that person or a Relative of that person is an Officer, Trustee, member, owner, or employee and with which the Library has a relationship;
- b. Any Financial Interest that person or a Relative of that person has in any corporation, organization, partnership, or other entity which provides goods or services to the Library for a fee or other compensation; and
- c. Any position or other material relationship that person or a Relative of that person has with any not-for-profit corporation with which the Library has a business relationship.

Signing the annual disclosure statement affirms that the person signing has received a copy of, has read, understands, and agrees to comply with this policy.

These disclosure statements will be submitted to the Secretary of the Board of Trustees. A copy of each disclosure statement will be kept in the Library's files and made available to any Trustee, Officer, or Key Employee upon request. The Secretary also will provide a copy of all completed statements to the President of the Board of Trustees.

If at any time during his or her term of service, a Trustee, Officer, or Key Employee acquires any Financial Interest, or when any matter for decision or approval comes before the Board in which a Related Party has a Financial Interest, that Financial Interest or potential Related Party Transaction must be promptly disclosed in writing to each member of the Board, together with all material facts. Failure to disclose to the Board a known Financial Interest, a known Related Party Transaction, or a known conflict of interest may be grounds for removal from the Board or termination from the Library.

Related Party Transactions

The Library may not enter into any Related Party Transaction unless the Transaction is determined by the Independent Trustees of the Board to be fair, reasonable and in the Library's best interest at the time of that determination. Only Independent Trustees of the Board are permitted to vote on

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matters covered by this Policy. Any Trustee, Officer or Key Employee who has an interest in a Related Party Transaction will in good faith disclose the material facts concerning that interest to the Board.

The Independent Trustees of the Board will review all transactions or agreements between the Library and a Related Party according to the following.

1) Prior to entering into the Transaction, consider alternative Transactions to the extent available. If the contemplated Transaction pertains to compensation for services or the transfer of property or other economic benefit to a Related Party, the Independent Trustees of the Board must determine that the value of the economic benefit provided by the Library does not exceed the value of the services, property, or other benefit received in exchange. As part of this determination, the Independent Trustees of the Board will obtain and review appropriate comparable data.

For compensation for services, the Independent Trustees of the Board may consider such data as compensation from similar organizations, availability of similar services in that locale, current independent compensation surveys, and written offers from similar institutions competing for that person's services.

For property transfers, comparable data may include current independent appraisals and offers received in a competitive bidding process.

2) Provided the meeting satisfies Library Bylaw requirements for a quorum, vote on whether to approve the transaction. The Independent Trustees of the Board must only approve if they determine that the transaction is fair, reasonable, and in the Library's best interest at the time of the determination. Approval of the transaction requires a majority vote of the Independent Trustees present at the meeting.

3) In the Board's minutes, contemporaneously document in writing:

- a. The name(s) of the Related Party or Parties who disclosed or otherwise were determined to have a potential or actual Financial Interest and/or conflict of interest;
- b. The nature of the potential or actual Financial Interest and/or conflict of interest;
- c. Any actions taken to determine whether a Financial Interest and/or conflict of interest existed;
- d. The Board's decision as to whether the Financial Interest and/or conflict of interest existed;
- e. The names of the persons who were present for discussions and votes relating to any potential or actual conflict of interest or Related Party Transaction (including whether the Related Party or Parties and any voting members of the Board who are not considered Independent Trustees left the room for all such discussions and vote);
- f. The content of such discussions, including the discussion of alternative transactions; and
- g. The decision by the Independent Trustees of the Board to approve or not approve the Related Party Transaction.

The Related Party will not be present for or participate in the deliberation or vote on the matter giving rise to the conflict, nor attempt to improperly influence the deliberation or voting. However, nothing in this Policy prohibits the Board from asking a Related Party to present information concerning a Related Party Transaction at a meeting of the Independent Trustees of the Board prior to the commencement of deliberations or voting on the transaction.

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Definitions

- (1) "Director": Any member of the governing board of a corporation, whether designated as director, trustee, manager, governor, or by any other title. The term "board" means "board of directors" or any other body constituting a governing board as designated in this section. The Patterson Library designates its Directors as Trustees.
- (2) "Board": A Board of Trustees or any other body constituting a governing board.
- (3) "Financial Interest": A direct or indirect economic benefit from any transaction, agreement, or compensation arrangement involving the Library, including but not limited to direct or indirect remuneration, or gifts or favors that are not insubstantial.
- (4) "Governing Board": The body responsible for the management of the Library.
- (5) "Affiliate": Any entity controlled by, in control of, or under common control with the Library.
- (6) "Independent Trustee": A Trustee who (i) is not, and has not been within the last three years, an employee of the Library or an affiliate of the Library, and does not have a relative who is, or has been within the last three years, a Key Employee of the Library or an affiliate of the Library; (ii) has not received, and does not have a relative who has received, in any of the last three fiscal years, more than ten thousand dollars in direct compensation from the Library or an affiliate of the Library (other than reimbursement for expenses reasonably incurred as a Trustee or reasonable compensation for service as a Trustee as permitted by paragraph (a) of section 202 of the NY Nonprofit Revitalization Act of 2013 (General and special powers)); and (iii) is not a current employee of or does not have a substantial financial interest in, and does not have a relative who is a current Officer of or has a substantial financial interest in, any entity that has made payments to, or received payments from, the Library or an affiliate of the Library for property or services in an amount which, in any of the last three fiscal years, exceeds the lesser of twenty-five thousand dollars or two percent of that entity's consolidated gross revenues. For purposes of this subparagraph, "payment" does not include charitable contributions.
- (7) "Officer": A person who was elected to office according to the by-laws of the Library.
- (8) "Relative": A person's (i) 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; or (ii) domestic partner as defined in section twenty-nine hundred ninety-four-a of the public health law.
- (9) "Related Party": (i) Any Trustee, Officer or Key Employee of the Library or an affiliate; (ii) any relative of any Trustee, Officer or Key Employee of the Library or an affiliate; or (iii) any entity in which any individual described in clauses (i) and (ii) of this subparagraph has a thirty-five percent or greater ownership or beneficial interest.
- (10) "Related Party Transaction": Any transaction, agreement or any other arrangement in which a Related Party has a financial interest and in which the Library or any affiliate of the Library is a participant.
- (11) "Key Employee": Any person who is in a position to exercise substantial influence over the affairs of the Library, as referenced in 26 United States Code § 4958(f)(1)(A) and further specified in 26 Code of Federal Regulations § 53.4958.3(c), (d) and (e), or succeeding provisions.

End

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CONFLICT OF INTEREST ATTACHMENT A

Patterson Library Conflict of Interest Policy Affirmation

At the times stated in the Patterson Library Conflict of Interest Policy, please reread the Patterson Library Conflict of Interest Policy (the "Policy"), sign this affirmation and give it to the Secretary, as provided in the Policy, which was adopted by the Library Board of Trustees on [date].

- (a) ____ (initial) I have received a copy of the Policy;
- (b) ____ (initial) I have read and understand the Policy; and
- (c) ____ (initial) I agree to comply with the Policy;

By signing below, I affirm the statements above.

Printed Name

Signature

Position

Date

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CONFLICT OF INTEREST ATTACHMENT B

Patterson Library Conflict of Interest Policy Disclosure Form for Potential Conflict of Interest¹

Name: _____

In responding to these questions, please note that a "yes" answer does not imply that the relationship or transaction is necessarily inappropriate or prohibited.

1. Are you an officer, director, trustee, member, owner, or employee of any entity with which the Library has a relationship in which money changes hands?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, your affiliation with that entity, and the approximate dollar amount of business involved with the Library in the past year:

2. Are any of your Relatives² an officer, director, trustee, member, owner, or employee of any entity with which the Library has a relationship?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, your Relative's affiliation with that entity, and the approximate dollar amount of business involved with the Library in the past year:

3. Do you have a Financial Interest in any corporation, organization, partnership, or other entity which provides goods or services to the Library for a fee or other compensation?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, the nature of your Financial Interest, and the approximate dollar amount of business involved with the Library in the past year:

¹ To be completed and provided to the Board: i) between annual affirmations if a trustee, officer, or key employee believes he or she may have a potential conflict with the Library, and ii) by a candidate for Trustee.

² "Relative" means your domestic partner, spouse, ancestors, siblings and their spouses, children and their spouses, grand children and their spouses, and great-grandchildren and their spouses.

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4. Do any of your Relatives have a Financial Interest in any corporation, organization, partnership, or other entity which provides goods or services to the Library for a fee or other compensation?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, the nature of your Relative's Financial Interest, and the approximate dollar amount of business involved with the Library in the past year:

5. Do you hold a position or have some other material relationship with any not-for-profit corporation with which the Library has a business relationship?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, the nature of your relationship (e.g., employee, board member), and the approximate dollar amount of business involved with the Library in the past year:

6. Do any of your Relatives hold a position or have some other material relationship with any not-for-profit corporation with which the Library has a business relationship?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, the nature of your Relative's relationship (e.g., employee, board member, outside advisor), and the approximate dollar amount of business involved with the Library in the past year:

7. Are you aware of any other transaction in which the Library is a participant and in which you may have a conflicting interest?

Yes _____ No _____

If the answer is "yes", please identify the transaction and describe the potential conflict:

³ "Financial Interest" means a direct or indirect economic benefit from any transaction, agreement, or compensation arrangement involving the Library, including, but not limited to, direct or indirect remuneration, or gifts or favors that are not insubstantial.

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I affirm that the answers in this form are true and complete to the best of my knowledge and that should any of my responses to these questions change at any time, I will notify the Library's Board of Trustees.

Printed Name

Signature

Position

Date