

PATTERSON LIBRARY

CONFLICT OF INTEREST POLICY

Adopted July 11, 2015

Amended January 13, 2022

Article I *Statement of Policy*

The Patterson Library Board of Trustees has adopted the Conflict of Interest Policy set forth herein to deal with conflicts of interest and related party transactions. Patterson Library will not enter into any related party transaction unless the transaction is determined by the Library's Board of Trustees to be fair and reasonable and in the best interest of Patterson Library at the time of such transaction. Such determination will be made in accordance with the procedures set forth below. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to charitable organizations.

Article II *Definitions*

As used in this Policy, the term

1. "Related party transaction" means any transaction, agreement or other arrangement in which a related party has a financial interest and in which Patterson Library or any affiliate of Patterson Library is a participant.
2. "Related party" means (a) any Trustee, potential Trustee, or employee of Patterson Library, (b) any relative of any Trustee, potential Trustee, or employee of Patterson Library, or (c) any entity in which any individual described in the preceding clauses (a) and (b) 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.
3. "Employee" means any person who is employed by Patterson Library.
4. "Relative" of an individual means such individual's spouse or domestic partner (as defined in Section 2994 of the Public Health Law), ancestors, brothers and sisters (whether of the whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and the spouses of his or her brothers, sisters, children, grandchildren and great-grandchildren.
5. "Affiliate" means any entity controlled by, in control of, or under common control with Patterson Library.

Article III *Duty to Disclose*

Any Trustee, potential Trustee, or employee of Patterson Library who has knowledge of a transaction involving Patterson Library (or an affiliate of Patterson Library which is a related party transaction), or knowledge of a contemplated transaction involving Patterson Library (or an affiliate of Patterson Library which, if entered into, would constitute a related party transaction), shall promptly disclose the material facts concerning such transaction or contemplated transaction to the Finance Committee of the Board.

Article IV *Procedures for Addressing the Related Party Transaction*

Upon learning of a contemplated transaction which, if entered into, would constitute a related party transaction, Patterson Library shall proceed as follows:

1. The Finance Committee shall determine whether a related party has a substantial financial interest in the contemplated transaction. If the Committee determines that no related party has a substantial financial interest in the contemplated transaction, the Committee shall advise the Board of its findings and the basis for such findings. Upon receipt of the report of the Finance Committee and completion of such further due diligence as the Board may find necessary, the Board may authorize Patterson Library to enter into the contemplated transaction provided the Board determines the transaction is fair and reasonable and in the best interest of Patterson Library.

2. If the Finance Committee determines that a related party has a substantial financial interest in the contemplated transaction, the Committee shall determine whether or not Patterson Library can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that is not a related party and shall advise the Board of its findings and the basis for such findings. Upon receipt of the report of the Finance Committee and completion of such further due diligence as the Board may find necessary, if the Board determines that a more advantageous transaction or arrangement is not reasonably possible, the Board may authorize Patterson Library to enter into the contemplated transaction provided the Board determines the transaction is fair and reasonable and in the best interest of Patterson Library.

3. Any action permitted or required under this Article IV may be taken by the affirmative vote of a majority of the Trustees present at Finance Committee meetings or Board of Trustees meetings provided there is a quorum present at such meeting.

4. A person who is a related party in a particular related party transaction under consideration by the Finance Committee or the Board may not (a) participate in the deliberations or voting of the Finance Committee or the Board with respect to such transaction or (b) attempt to influence improperly the deliberations or voting on the matter. However, the Finance Committee or the Board may request that a related party provide information concerning such transaction at a meeting of the Committee or the Board prior to the commencement of deliberation or voting.

Article V *Records of Proceedings*

The minutes of the Finance Committee or the Board, as appropriate, shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with a related party transaction, the nature and extent of the financial interest, any investigation done by the Finance Committee or the Board, as the case may be, with respect to the nature and extent of such financial interest, any examination of alternatives to the contemplated transaction, and the recommendations or decisions of the Committee or the Board with respect to such matters.

2. The names of the persons who were present for discussions and votes relating to the transaction, the content of the discussion with respect thereto, and a record of any votes taken in connection with the proceedings.

Article VI *Violations of the Policy*

1. If the Board has reasonable cause to believe a Trustee, potential Trustee, or employee has failed to disclose an interest in a related party transaction as required by this Policy, it shall inform such person of the basis for such belief and afford him/her/them an opportunity to explain the alleged failure to disclose. If, after hearing such person's response and after making further investigation as warranted by the circumstances, the Board determines such person has failed to make proper disclosure, it shall take appropriate disciplinary and corrective action, which may include (in the case of a Trustee) removal from office, (in the case of a potential Trustee) denial of office, or (in the case of a key employee) discharge from employment.

2. In the event a Trustee or employee of Patterson Library shall fail to sign and submit the annual statement required under Article VII of this Policy in a timely manner, the Board shall take such disciplinary action as it may deem appropriate, including (in the case of a Trustee) removal from office, or (in the case of a key employee,) discharge from employment.

Article VII *Annual Statements*

Each Trustee and employee of Patterson Library shall annually sign and submit to the Library Director a written statement which:

1. Affirms (a) such person has received a copy of the Policy, (b) has read and understands the Policy, (c) agrees to comply with the policy, and (d) understands Patterson Library is charitable and, in order to maintain its federal tax exemption, must operate for the benefit of public rather than private interests.

2. Identifies to the best of such person's knowledge (a) any entity of which such person is a director, officer, trustee, shareholder, member, owner (whether sole proprietor or partner) or employee and with which Patterson Library or any affiliate of Patterson Library has a relationship, and (b) any transaction in which Patterson Library is a participant and in which such person has a conflicting interest.

Article VIII *New Directors*

Prior to his, her, or their initial election as a Trustee, each candidate for election shall sign and submit to the Board of Trustees President a written statement which satisfies the requirements of Article VII above.

Article IX *Periodic Reviews*

To ensure Patterson Library operates in a manner consistent with 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, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to Patterson 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 X *Use of Outside Experts*

When conducting the periodic reviews as provided for in Article IX, Patterson Library may, but need not, use outside experts. If outside experts are used, their use shall not relieve the Board of their responsibility for ensuring periodic reviews are conducted.