

LYONS REGIONAL LIBRARY DISTRICT .
CONFLICT OF INTEREST POLICY

Article 1 – Purpose

The purpose of this conflict of interest policy is to protect the Lyons Regional Library District's ("LRLD's") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or trustee of the LRLD 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 conflicts of interest applicable to governmental entities.

Article 2 – Definitions

1. Interested Person – Any trustee, principal officer, or member of a committee with governing board-delegated powers.

2. Financial Interest – A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a. An ownership or investment interest in any entity with which the LRLD has a transaction or arrangement,
- b. A compensation arrangement with the LRLD or with any entity or individual with which the LRLD 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 LRLD is negotiating a transaction or arrangement.

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

A financial interest is not necessarily a conflict of interest. Under Article 3, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

3. Related Party – A "Related Party" includes, but is not limited to, the following relationships:

- a. A Family Member (as defined below) of an Interested Person (as defined below);
- b. Any organization (whether for-profit or non-profit) in which an Interested Person or a Related Party serves as an officer, director, trustee, general partner or employee (or in a similar capacity), whether paid or unpaid;
- c. Any organization (whether for-profit or non-profit) in which an Interested Person or a Related Party has a Material Financial Interest; or
- d. Any estate or trust in which an Interested Person or Related Party has a beneficial interest.

4. Family Member – A Family Member of an Interested Person includes his or her (i) spouse or domestic partner, (ii) children and their spouses or domestic partners, (iii) parents and their spouses or domestic partners, (iv) descendants and their spouses or domestic partners, and (v) siblings and their spouses or domestic partners and descendants, in each case, whether by blood, marriage or adoption.

5. Conflict of Interest – A "Conflict of Interest" occurs when an Interested Person's private interest interferes in any way – or even appears to interfere – with the interest of the LRLD as a whole. Therefore, a Conflict of Interest may arise when an Interested Person or a Related Party receives an improper personal benefit (financial or otherwise) as a result of the Interested Person's position with the LRLD. It may also arise, however, when an Interested Person or a Related Party takes an action or has an interest that may make it difficult for the Interested Person to perform his duties for the LRLD objectively and effectively, even if there is no improper personal benefit.

The following are examples of situations in which a Conflict of Interest may arise. The examples are not exhaustive, however, and each Interested Person has a duty to identify any other situation in which he or she may be unable to act in the best interests of the LRLD:

- i. The LRLD enters into a contract, transaction or financial relationship of any kind with an Interested Person or Related Party, including, without limitation (i) supplying goods or services to the LRLD, (ii) leasing property or equipment; (ii) purchasing or selling real estate, securities or other property; (iv) making a gift or grant, or (v) extending or receiving credit.
- ii. An Interested Person or a Related Party obtains a non-financial benefit that would not be available absent the Interested Person's relationship with the LRLD, such as (i) preferential

treatment by the LRLD, (ii) access to or use of nonpublic information obtained from the LRLD for personal benefit, or (iii) adoption by the LRLD of a policy providing significant personal benefits.

iii. An Interested Person or a Related Party accepts gifts, entertainment or other favors from any individual or entity that (i) does or is seeking to do business with the LRLD, or (ii) has received , is receiving or is seeking to receive a grant or loan to secure other financial commitments from the LRLD under circumstances where it might be inferred that such action was intended to influence or possibly would influence the Interested Person in the performance of his or her duties.

Article 3 – Procedures

1. Duty to Disclose – In connection with any actual or possible conflict of interest, an Interested Person must disclose all material facts relating to the existence of any Financial Interest involving the LRLD and disclose all material facts to the trustees and members of committees with governing board-delegated powers 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 governing board or committee meeting while the determination of a conflict of interest is discussed 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 governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

- c. After exercising due diligence, the governing board or committee shall determine whether the LRLD 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 governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the LRLD'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.
- e. The LRLD board of trustees shall have the final decision-making authority with respect to any possible conflict of interest and shall review any decision of any committee with respect to a possible conflict of interest.

4. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of basis for such belief and afford the member an opportunity to explain the alleged failure
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article 5 – Compensation

- a. The LRLD's by-laws provide that board members will not receive compensation from the LRLD for their services. Should such by-laws be amended in the future to allow for such compensation, a voting member of the governing board who receives compensation, directly or indirectly, from the LRLD for services other than Board membership is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly from the LRLD for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly from the LRLD, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article 6 – Annual Statements

Each trustee, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy, and
- c. Has agreed to comply with the policy.

Article 7 – Periodic Reviews

To ensure the LRLD operates in a manner consistent with the public trust and does not engage in activities that could jeopardize the public trust, periodic reviews shall be conducted. 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 LRLD's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further the statutory purposes of the LRLD and do not result in inurement, impermissible private benefit, an excess benefit transaction or jeopardize the reputation of the LRLD as a public entity.

Article 8 – Use of Outside Experts

When conducting the periodic reviews as provided for in Article 7, the LRLD may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

