

CONFLICT OF INTEREST POLICY FOR THE TOWN OF ELM CITY

Article I: Purpose

This Conflict of Interest Policy is designed to foster public confidence in the integrity of the Town of Elm City (the "Town") and to protect the Town's interest when it is contemplating entering into a transaction (defined below) that might benefit the private interest of an elected Commissioner or an insider (defined below). This Conflict of Interest Policy replaces and supersedes any other Conflicts of Interest Policies previously adopted.

Article II: Definitions

The following are considered *insiders* for the purposes of this policy:

1. The mayor and each member of the Elm City Board of Commissioners;
2. The Town Administrator, Town Clerk, Town Finance Officer, or any other person with the responsibilities of any of these positions;
3. Any *key employee*. A key employee is one who (a) has responsibilities or influence over the Town similar to that of Commissioners, or (b) manages a program that represents ten percent (10%) or more of the activities, assets, income, or expenses of the Town, or (c) has or shares authority to control ten percent (10%) or more of the Town's capital expenditures, operating budget, or compensation for employees.

Interest means any benefit, commitment, investment, relationship, obligation, or involvement, financial or otherwise, direct or indirect, that may influence a person's judgment, including receipt of compensation from the Town, a sale, loan, or exchange transaction with the Town.

A *conflict of interest* is present when, in the judgment of the Board of Commissioners, an insider's stake in the transaction is such that it reduces the likelihood that an insider's influence can be exercised impartially in the best interests of the Town.

Conflicts of interest arise in violations of the following sections of the North Carolina General Statutes:

§ 14-234 (prohibition against deriving a direct benefit from any contract in which a person is involved on behalf of the Town)

§ 14-234.1 (prohibition against improper use of confidential information)

§ 133-32 (prohibition against accepting gifts or favors)

A *direct benefit* occurs when a public officer or employee, or his or her spouse, (1) owns more than ten percent (10%) of an entity that is a party to a contract with the Town, or that is a party to a subcontract with a party to a contract with the Town, or (2) derives any income or commission directly from the contract, or (3) acquires property under the contract.

Transaction means any contract, agreement, or arrangement between an insider and the Town, or between the Town and any third party where an insider has an interest in the transaction or any party to the transaction.

Transaction also means any contract, agreement, or arrangement associated with federal or state funded grants awarded to the Town.

Article III: Procedures

1. Duty to Disclose

Each insider shall disclose to the Board and the Town Attorney all material facts regarding his or her interest in the transaction, promptly upon learning of the proposed transaction.

2. Determining Whether a Conflict of Interest Exists

With regard to an insider, the Board shall determine if a conflict of interest exists. The insider(s) and any other interested person(s) involved with the transaction shall not be present during the Board's discussion or determination of whether a conflict of interest exists, except as provided in Article IV below.

3. Procedure for Addressing a Conflict of Interest

The Board shall follow the procedures set forth in Article IV in order to decide what measures are needed to protect the Town's interests in light of the nature and seriousness of the conflict, to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are appropriate.

Article IV: Review by the Board

The Board may ask questions of and receive presentations(s) from the insider(s) and any other interested person(s), but shall deliberate and vote on the transaction in their absence. The Board shall ascertain that all material facts regarding the transaction and the insider's conflict of interest have been disclosed to the Board and shall compile appropriate data, such as comparability studies, to determine fair market value for the transaction.

After ascertaining due diligence, which may include investigating alternatives that present no conflict, the Board shall determine whether the transaction is in the Town's best interest, or its own benefit, and whether it is fair and reasonable to the Town; the majority of disinterested members of the Board then in office may approve the transaction.

Article V: Records of Proceedings

The minutes of any meeting of the Board pursuant to this policy shall contain the name of each insider who disclosed or was otherwise determined to have an interest in a transaction; the nature of the interest and whether it was determined to constitute a conflict of interest; any alternative transactions considered; the members of the Board who were present during the deliberations on the transactions, those who voted on it, and to what extent interested persons were excluded from the deliberations; any comparability data or other information obtained and relied upon by the Board and how the information was obtained; and the result of the vote, including, if applicable, the terms of the transaction that was approved and the date it was approved.

Article VI: Annual Disclosure and Compliance Statements

Each Commissioner and the Mayor, the Town Administrator, the Town Clerk, the Town Finance Officer, and each key employee of the Town, shall be provided a copy of this policy.


Article VII: Violations

If the Board has reasonable cause to believe that an insider of the Town has failed to disclose actual or possible conflicts of interest, including those arising from a transaction with a related interested person, it shall inform such insider of the basis for this belief and afford the insider an opportunity to explain the alleged failure to disclose. If, after hearing the insider's response and making further investigation as warranted by the circumstances, the Board determines that the insider has failed to disclose an actual or possible conflict of interest, the Board shall take appropriate disciplinary and corrective action.

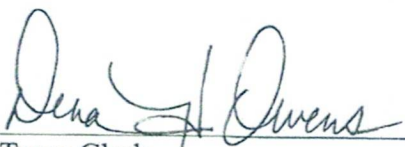
Article VIII: Annual Reviews

To ensure that the Town operates in a manner consistent with its status as an organization exempt from federal income tax, the Board shall authorize and oversee an annual review of the administration of this conflict of interest policy. The review may be written or oral. The review shall consider the level of compliance with the policy, the continuing suitability of the policy, and whether the policy should be modified and improved.

Resolved, this the 17th day of December, 2019



Mayor



Town Clerk