

**MUSEUM OF SCIENCE AND INDUSTRY
CONFLICT OF INTEREST POLICY
FOR TRUSTEES, COMMITTEE MEMBERS, OFFICERS,
AND MANAGEMENT EMPLOYEES**

June 2006

PURPOSES:

1. To protect the interests of the Museum when it is contemplating entering into a transaction or arrangement that has the potential for benefiting the private interests of an officer, member of the Board of Trustees, committee member or other "Covered Person" (including management employees) as defined below.
2. To assure that all individuals who, by virtue of their position, can influence decisions affecting the business, operations, ethical and/or competitive position of the Museum, perform their duties in an impartial manner free from any bias created by personal interests of any kind.
3. To clarify the duties and obligations of "Covered Persons" in the context of potential conflicts of interest and, further, to provide such "Covered Persons" with a method for disclosing and resolving potential conflicts of interest.
4. To supplement (not replace) any applicable state laws governing conflicts of interest applicable to charitable, not for profit corporations. To the extent that other Federal or state laws may impose more restrictive conflict of interest standards (including more extensive disclosures of actual or potential conflicts of interest), the Board of Trustees of the Museum shall modify the substantive and procedural terms of this Policy to assure compliance with such additional standards.

POLICY:

1. The Policy of the Museum is to require that each individual subject to this Policy promptly and fully disclose (in the manner provided herein) any Interest that may result in an actual, apparent or potential Conflict of Interest, and that the Museum will not engage in any contract, transaction or arrangement involving a Conflict of Interest unless the disinterested members of the Board of Trustees or Executive Committee (acting at a duly constituted meeting thereof) determine by a majority vote that appropriate safeguards to protect the educational mission of the Museum have been implemented through the steps outlined in this Policy.
2. Definitions.
 - a. Covered Person. For purpose of applying this Policy to any contract, transaction or arrangement involving the Museum, the term "Covered Person" shall mean any person in a position to exercise substantial influence over the Museum in the five year period

ending on the date the proposed contract, transaction or arrangement is formally presented to the Board or a committee thereof for approval. "Covered Person" includes (but is not limited to) any trustee, committee member, officer, or management employee. "Management employee" shall mean employees of the Museum holding a position of department director or higher unless the President recommends and the Executive Committee approves a different classification. The Board or Executive Committee may also determine, based upon all the facts and circumstances that a person other than a "Covered Person" shall be treated as a "Covered Person" with respect to a particular contract, transaction or arrangement.

- b. Interest. A Covered Person has an Interest with respect to a contract, transaction or arrangement in which the Museum is (or would be, if approved) a party if the person, directly or indirectly, through a business, investment, family or other relationship:
- (i) has an ownership or investment interest in any entity involved in such contract, transaction or arrangement;
 - (ii) has a compensation arrangement with an individual or entity involved in such contract, transaction or arrangement;
 - (iii) has a potential ownership or investment interest in, or compensation arrangement with, an individual or entity with which the Museum is negotiating such contract, transaction or arrangement;
 - (iv) has a fiduciary position (*e.g.*, member, officer, director, committee member) with respect to an entity involved in such contract, transaction or arrangement;
 - (v) is in an employment relationship subject to the direction or control of a person who has an Interest in the proposed transaction;
 - (vi) receives compensation or other payments subject to approval by a person who has an Interest in the proposed transaction; or
 - (vii) approves a transaction providing benefits to a person who has an Interest with respect to the proposed transaction and which person in turn has approved or will approve a transaction providing economic benefits to the individual.

In addition, a person has an Interest in any existing or potential compensation arrangement between the Museum and that person or any business, investment or family member related to that person. For purposes of this section, compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

- c. Conflict of Interest. A Conflict of Interest exists when a Covered Person has an Interest which prevents the Covered Person from acting in the best interest of the Museum regarding the transaction or arrangement.

3. Procedures.

- a. Duty to Disclose. A Covered Person has a continuing obligation to disclose (in the manner provided in this Policy) the existence and nature of any Interest he/she may have that may give rise to any actual, apparent or potential Conflict of Interest. "Disclosure" means promptly providing a written description of the material facts of the Interest on the Conflicts of Interest Questionnaire attached as an Exhibit to this Policy. Such disclosure shall be made promptly any time an actual, apparent or potential conflict of interest arises and before the consummation of the contract, transaction or arrangement that is the subject of the potential conflict of interest.
- b. Determining Whether a Conflict Exists. At any time that an Interest presenting an actual, apparent or a potential Conflict of Interest is identified to the Board of Trustees, whether through the voluntary submission of a Disclosure Statement by a Covered Person, or by a disclosure by a person other than the subject Covered Person, the Executive Committee shall review the matter and determine whether a Conflict of Interest exists. The subject Covered Person shall not be present during any meeting in which the Executive Committee conducts its evaluation, except to answer questions of the Executive committee as may be necessary. The Executive Committee may request additional information from all reasonable sources. Once all necessary information has been obtained, the Executive Committee shall make a finding as to whether a conflict of interest indeed exists. Only disinterested members of the Executive Committee may vote to determine whether a Conflict of Interest exists. The subject Covered Person may not be present when this vote is taken.
- c. Addressing the Conflict of Interest. Once the disinterested members of the Executive Committee have determined that an actual conflict of interest exists with respect to a particular transaction or arrangement:
- (i) In considering whether to enter into the proposed contract, transaction or arrangement, the Board of Trustees or appropriate committee may approve such a contract, transaction or arrangement only if the disinterested trustees or committee members determine by a majority vote that:
 - the proposed contract, transaction or arrangement is in the Museum's best interests and for the Museum's own benefit; and
 - the proposed transaction is fair and reasonable to the Museum, taking into account, among other relevant factors, whether the Museum could obtain a more advantageous contract, transaction or arrangement with reasonable efforts under the circumstances.
 - (ii) The disinterested members of the Board of Trustees or appropriate committee may, in their discretion, require the Covered Person to leave the room while the proposed contract, transaction or arrangement is discussed. The Covered Person shall leave the room while the matter is voted on; only disinterested

trustees or committee members may vote to determine whether to approve the transaction or arrangement.

In determining whether and when to require the Covered Person to leave the room during discussion of the proposed contract, transaction or arrangement, the disinterested trustees shall balance the need to facilitate the discussion by having such person on hand to provide additional information with the need to preserve the independence of the determination process.

- d. Violations of the Conflicts of Interest Policy. If the Executive Committee or another committee has reason to believe that a Covered Person has failed to comply with the disclosure obligations of this Policy, the Executive Committee or its designee shall inform that person of the basis for its belief and provide that person an opportunity to address the alleged failure to disclose. After hearing the response of such person and conducting such further investigation as may be warranted under the circumstances, the Executive Committee shall determine whether such person has, in fact, violated the disclosure requirements of this conflicts of interest policy. If the Executive Committee determines that there has been a violation, the Executive Committee or its designee or, if required, the Board of Trustees shall take appropriate disciplinary and corrective action which may include removal (if the Covered Person is a trustee or committee member) or termination (if the Covered Person is an employee).
4. Records of Proceedings. The minutes of meetings of the Board of Trustees and any relevant committee shall include:
 - a. the names of persons who disclosed or were otherwise found to have Interests relevant to any matter under discussion at the meeting, a general statement as to the nature of such interest (e.g., employment arrangement, equity interest or board membership, or officer position at another Museum), any action taken to determine whether a conflict of interest existed, and the board or committee's conclusion as to whether a conflict exists; and
 - b. the names of the persons present for the discussions and votes relating to the transaction or arrangement, a summary of the content of these discussions that contains the type of information regularly reported in board or committee minutes and identifies whether any alternatives were considered, and a record of any vote taken in connection therewith.
 5. Annual Statements. Each Covered Person shall sign an annual statement that the Covered Person (a) has received a copy of this Policy; (b) has read and understands the Policy; (c) agrees to comply with the Policy; (d) understands that the Policy applies to actions taken as an employee, officer, committee member, or Trustee of the Museum; (e) understands that the Museum is an educational and charitable organization that must engage primarily in exempt activities; (f) agrees to report to the Executive Committee or its designee any change to matters previously disclosed on the Conflicts of Interest Questionnaire or new matters required to be so disclosed; and (g) states that the information provided in the Conflicts of Interest Questionnaire is true and accurate to the best of his or her knowledge and belief.