

Policy Statement

The China Lake Museum Foundation (CLMF) shall create and maintain a “Conflict of Interest Policy”. The CLMF Business Officer shall be responsible for execution of these actions. The CLMF Treasurer, IAW Article IV, paragraph 6, sub-paragraph ‘e’ of the CLMF by-laws, shall have responsibility for oversight of these actions.

Article I Purpose

This conflict of interest policy is to protect the China Lake Museum Foundation’s (CLMF) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy supplements, not replaces applicable state or federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

1. Interested Person

Any CLMF director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if a person has, directly or indirectly, through investment, or family:

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

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

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, an interested person has a conflict of interest only if the appropriate board or committee decides a conflict exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person, as defined above, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors 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 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 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. After exercising due diligence, the governing board or committee shall determine whether the Organization 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.
- c. 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 directors whether the transaction or arrangement is in the Organization'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.

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 the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- 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 IV Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. Names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict was present, and the board's or committee's decision as to whether a conflict in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V Compensation

- a. No voting member of this board, or any appointed committee thereof receives any compensation beyond reimbursement of actual, approved expenses incurred on behalf of the CLMF.

Article VI Annual Statements

Each director, 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,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII Periodic Reviews

To ensure the Organization 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 by the CLMF Board of Directors. 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 Organization's written policies, are properly recorded, reflect reasonable investment of payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII Use of Outside Experts

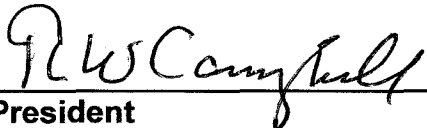
When conducting the periodic reviews as provided for in Article VII, the Organization may use outside advisors. Use of outside experts shall not relieve the governing board of responsibility for ensuring periodic reviews are conducted.

Article XIX Acknowledgement of Policy

Each duly elected member of the governing board of the CLMF Board of Directors must acknowledge that they have received a copy of the Museum conflict of interest policy; have read it and understand it; agree to comply with its provisions; and understand that the Museum is required to engage primarily in activities which accomplish one or more of its tax-exempt purposes. A copy of the signatures can be obtained by contacting the CLMF Business Office. **Each Board Member will sign the acknowledgement at the beginning of each Fiscal Year.** The signatures of each duly elected member of the governing board of the CLMF Board of Directors acknowledging the above are kept on file in the Museum Business Office.

Approved by the Board of Directors

08-17-2010



President