

Los Angeles County Museum of Art

Audit Committee of the Board of Trustees

Policy and Procedures for Review of Conflict of Interest Transactions

Adopted October 6, 2009

Preamble

The Board of Trustees of Museum Associates, a California public benefit corporation doing business as the Los Angeles County Museum of Art (LACMA) has adopted an Ethics Policy setting forth general principles and specific substantive standards for ethical behavior by “covered persons,” as defined therein, including principles relating to actual or potential conflicts of interest. LACMA’s bylaws delegate to the Audit Committee of the Board of Trustees responsibility for monitoring compliance with the Ethics Policy, including responsibility for reviewing actual or potential conflicts and recommending action thereon to the Board of Trustees. These procedures are intended to guide the Audit Committee in evaluating any such conflicts of interest and to conform LACMA’s practices with federal and state law relating to “excess benefit transactions,” “self-dealing transactions” and other conflicts of interest on the part of trustees, officers and other key employees.

Definitions

Covered Persons: As used in this Policy, “Covered Person” includes: (i) voting members of the Board of Trustees and its Committees; (ii) Officers as defined in the bylaws; and (iii) former voting Trustees and former Officers for a period of five years from the end of their respective terms as such.

Conflict of Interest: (i) Private business or personal or professional activity that would be or appear to be in conflict with the best interests of LACMA or which would otherwise appear likely to affect adversely the confidence of the public in LACMA’s integrity. (*See Ethics Policy, Section V* for specific examples); (ii) a transaction with LACMA in which a Covered Person or a Disqualified Person related to a Covered Person has or anticipates having, directly or indirectly, a material financial interest; (iii) a transaction between LACMA and another entity in which a Covered Person is an officer, director, trustee or key employee (including a partner or member of a professional corporation); (iv) a transaction in which an economic benefit is provided by LACMA directly or indirectly to or for the benefit of a Covered Person or a related Disqualified Person, which benefit is greater than the consideration received by LACMA in exchange therefor.

Disqualified Person: Any person with the following relationship with a Covered Person: (i) a spouse or domestic partner, ancestor, sibling, child, stepchild, grandchild, great-grandchild of the Covered Person, or a spouse or domestic partner of a sibling, child, stepchild, grandchild, or

great-grandchild of the Covered Person (a “Family Member”); or (ii) an entity in which the Covered Person and/or his or her Family Members own, in the aggregate, (a) in the case of a corporation, more than 35 percent of the combined voting power; (b) in the case of a partnership (or limited liability company), more than 35 percent of the profit interest; or (c) in the case of a trust or estate, more than 35 percent of the beneficial interest.

Policy

The review of Conflicts of Interest shall be made by the Audit Committee of the Board of Trustees, comprised of independent Trustees of Museum Associates. Each Covered Person shall annually complete and sign a statement (“Disclosure Statement”) which affirms that such person has: (a) received a copy of this Policy and the Ethics Policy (collectively, “Relevant Policies”); (b) has read and understands the Relevant Policies; (c) has agreed to comply with the Relevant Policies; and (d) has truthfully disclosed any actual or potential Conflict of Interest. In addition, each Covered Person has the responsibility to report, in writing, on a current basis, any new developments as to matters included in the Relevant Policies and/or in the Disclosure Statement. In reviewing Conflicts of Interest of Covered Persons, the Audit Committee shall review the Disclosure Statements at least annually.

The General Counsel shall be available to attend all relevant meetings of the Audit Committee reviewing and taking any action with respect to Conflicts of Interest, and shall provide advice and assistance to such persons in carrying out their responsibilities under applicable law, LACMA’s bylaws, LACMA’s Ethics Policy and other relevant policies and procedures.

Procedures

Reviewing and Taking Action with Respect to Conflicts of Interest

In reviewing and taking action with respect to Conflicts of Interest, the Audit Committee shall determine whether (a) the economic benefit provided by LACMA, if any, does not exceed the fair market value of the consideration received by LACMA; (b) such Conflict of Interest is fair and reasonable as to LACMA and is entered into for the benefit of LACMA; and (c) LACMA could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

In its discretion, the Audit Committee may exclude a Conflict of Interest from full review if the contract that is the subject of the Conflict of Interest: (a) is competitively awarded; (b) is otherwise entered into under LACMA’s established procurement procedures for a supply of goods or services to LACMA; and (c) has terms and conditions, including the pricing, that are at least as favorable to LACMA as those provided to other customers ordering similar goods or services in similar quantities; or (d) the provision of goods or services is without charge to LACMA.

Administration

In administering these Procedures, the Audit Committee shall:

- (1) Review Conflicts of Interest prior to the execution of any contract binding LACMA, to determine whether it meets the standards for approval set forth above and in applicable law, including the Internal Revenue Code and Section 5233 of the California Nonprofit Public Benefit Corporation Law;
- (2) Submit its recommendation to the Board of Trustees for approval; provided that in circumstances where it is not reasonably practicable to obtain approval of the Conflict of Interest by the Board of Trustees prior to entering into a transaction, the Committee may review and approve such transaction, and such transaction shall be submitted to the Board for ratification at its next meeting, by a vote of a majority of Trustees then in office, without counting the vote of the Covered Person.
- (3) Maintain minutes and such other contemporaneous documentation as may be necessary and appropriate to document the review of the Conflict of Interest, noting the terms of any transaction and the date it was approved, the members of the Committee present and those who voted on it, and the names of persons who disclosed or otherwise were found to have a Conflict of Interest.

All Disclosure Statements shall remain confidential and access to such materials will be limited to the Director, the President, the Chair of the Board of Trustees, members of the Audit Committee and Executive Committee, the General Counsel's Office and such other persons who have a reasonable need to know the contents thereof or whose duties involve custody of such materials.