

# **CONFLICT OF INTEREST POLICY OF TRACE MEDIA, INC.**

## **ARTICLE I**

### **Purpose**

The purpose of this conflict of interest policy (the “Policy”) is to protect the interests of Trace Media, Inc. (the “Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation 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 conflict of interest applicable to nonprofit and charitable organizations.

## ARTICLE II

# **Definitions**

Section 1. **Interested Person.** An “Interested Person” is any director, principal officer, Key Employee or member of a committee with powers delegated by the Corporation’s governing board (the “Board”) is an Interested Person.

Section 2. **Key Employee.** “Key Employee” means any person who is in a position to exercise substantial influence over the affairs of the corporation.

Section 3. **Related Party.** “Related Party” means (i) any Interested Person of the Corporation or of any affiliate of the Corporation; (ii) any Family Member of any Interested Person of the Corporation or of any affiliate of the Corporation; or (iii) any entity in which any individual described in clauses (i) or (ii) of this Section has a thirty-five percent or greater ownership, profit or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of five percent.

In addition, the following types of people may be Related Parties depending on the facts and circumstances (in which case, their family members and entities thirty-five percent or more owned by them would also be disqualified persons): the Corporation’s founder; substantial donors to the Corporation; a person whose compensation is primarily based on revenues derived from activities of the Corporation or a particular department or function that the person controls; a person who has or shares authority to control or determine a substantial portion of the Corporation’s capital expenditures, operating budget or compensation for employees; a person who manages a discrete segment or activity of the Corporation that represents a substantial portion of the activities, assets, income or expenses of the Corporation; a person who owns a controlling interest, by vote or value, in an entity that is a disqualified person; and a non-stock organization controlled, directly or indirectly, by one or more disqualified persons.

**Section 4. Family Member. The “Family Members” of an Interested Person include such person’s spouse, ancestors, siblings and their spouses, children and their spouses, grandchildren and their spouses, and great-grandchildren and their spouses.**

**Section 5. Financial Interest. A person has a “Financial Interest” if the person, directly or indirectly, through business, investment, or family:**

- a. Has an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,**
- b. Is an officer, director or trustee of any entity with which the Corporation has a transaction or arrangement,**
- c. Has a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or**
- d. Has a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.**

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

**Section 6. Related Party Transaction. Any transaction, agreement or other arrangement in which a Related Party has a Financial Interest and in which the Corporation or any affiliate of the Corporation is a participant.**

**Section 7. Conflict of Interest. A “Conflict of Interest” arises when a Related Party can benefit personally or financially from a decision an Interested Person, who is either the Related Party or related to the Related Party through either family or business, could make on behalf of the Corporation. A Conflict of Interest does not include questions involving a Related Party’s competing or respective duties to the Corporation and to another organization, such as by serving on the boards of both organizations, that do not involve a Financial Interest of such Related Party.**

**Section 8. Independent Director. “Independent Director” means a director who: (i) is not, and has not been within the last three years, an employee of the Corporation or an affiliate of the Corporation, and does not have a relative who is, or has been within the last three years, a key employee of the Corporation or an affiliate of the Corporation; (ii) has not received, and does not have a relative who has received, in any of the last three fiscal years, more than ten thousand dollars (\$10,000) in direct compensation from the Corporation or an affiliate of the Corporation (other than reimbursement for expenses reasonably incurred as a director or reasonable compensation for service as a director as permitted under Section 202(a) of the New York Not-for-Profit Corporation Law); and (iii) is not a current employee of or does not have a substantial interest in, and does not have a relative who is a current officer of or has a substantial financial interest in, any entity that has made payments to, or received payments from, the Corporation or an affiliate of the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the lesser of twenty-five thousand dollars (\$25,000) or two percent (2%) of such entity’s consolidated gross revenues. For purposes of this Policy, “payment” does not include charitable contributions.**

Only Independent Directors may serve on an Audit Committee or may participate in any Board deliberation or voting relating to matters set forth in this Policy.

### ARTICLE III

## **Procedures**

**Section 1. Duty to Disclose. In connection with any actual or possible Conflict of Interest, all Financial Interests of any Related Party, including Related Party Transactions, must be disclosed to the Board and/or an Audit Committee with Board delegated powers (the “Audit Committee”). If not previously disclosed, each Interested Person shall disclose all Financial Interests and Related Party Transactions involving a Related Party (other than a compensation arrangement between a Related Party and the Corporation previously approved by the Board) on a Conflict of Interest Disclosure Form provided by the Corporation.**

**Section 2. Review of Disclosure Forms. All Conflict of Interest Disclosure Forms shall be submitted to the Secretary who shall then provide a copy to the Board or the Audit Committee. The Board or Audit Committee shall review the Conflict of Interest Disclosure Forms upon receipt to identify Related Party Transactions and potential Conflicts of Interest.**

**Section 3. Presentation to the Board or Audit Committee. Upon identifying a Related Party Transaction, the Board or Audit Committee shall invite each Related Party who is involved with such Related Party Transaction to make a presentation to the Board or Audit Committee disclosing all material facts of his or her relevant Financial Interest in the Related Party Transaction, after which the Board or Audit Committee will have the opportunity to ask the Related Party questions.**

**Section 4. Determining Whether a Conflict of Interest Exists. After the Related Party has made his or her presentation to the Board or Audit Committee, he or she shall leave the meeting. The remaining Board or Audit Committee members shall determine whether a Conflict of Interest exists, and if so, how to address it.**

**Section 5. Procedures for Addressing the Conflict of Interest.**

- a. The chairperson of the Board or Audit Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed Related Party Transaction.
- b. After exercising due diligence, the Board or Audit Committee shall determine whether the Corporation can with reasonable efforts obtain 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 Board or Audit Committee shall determine by a majority vote of the Independent Directors whether the Related Party Transaction is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the Board or Audit Committee shall make its decision as to whether to enter into the Related Party Transaction.**
- d. **If the Board has established an Audit Committee and such committee fails to make a determination, the Board may subsequently review the Related Party Transaction and recommend whether the Corporation should enter into the Related Party Transaction. The Board shall comply with the requirements of this Section in making its determination.**
- e. **A Related Party shall not attempt to influence Board or Audit Committee members regarding whether his or her Financial Interest constitutes a Conflict of Interest and shall not participate in any vote to determine whether to approve of an Related Party Transaction involving his or her Financial Interest, notwithstanding that he or she may be a member of the Board or Audit Committee, in which case he or she shall recuse himself or herself from the decision.**

**Section 6. Violations of the Conflict of Interest Policy**

- a. **If the Board or Audit Committee has reasonable cause to believe an Interested Person has failed to disclose an actual or possible Conflict of Interest, it shall inform such Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.**

- b. **If, after hearing the Interested Person’s response and after making further investigation as warranted by the circumstances, the Board or Audit Committee determines the Interested Person 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 Board and Audit Committee shall contain:

- a. **The names of the Related Parties who disclosed or otherwise were found to have a Financial Interest in connection with a Related Party Transaction, the nature of the Financial Interest, any action taken to determine whether a Conflict of Interest was present, the Board's or Audit Committee's decision as to whether a Conflict of Interest in fact existed, the Board's or Audit Committee's decision as to whether to engage in the Related Party Transaction and the date thereof.**
- b. **The names of the persons who were present for discussions and votes relating to the Related Party Transaction, the content of the discussion, including any alternatives to the proposed Related Party Transaction, and a record of any votes taken in connection with the proceedings.**
- c. **Any actions taken with respect to consideration of the Related Party Transaction by anyone who is otherwise a member of the Board or Audit Committee but who had a Conflict of Interest with respect to the Related Party Transaction.**

## ARTICLE V

# Compensation

- a. **Any person who receives compensation, directly or indirectly, from the Corporation for services or otherwise is precluded from voting on matters pertaining to his or her own compensation.**
- b. **All compensation arrangements shall be (i) reasonable, (ii) based on comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations and (iii) documented in writing (including the date and terms of the arrangement) and approved prior to the payment of any compensation.**

- c. **A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member’s compensation.**
- d. **No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.**
- e. **The Board shall approve officer compensation, if any.**

**ARTICLE VI**

**Disclosure Form**

Each Interested Person shall execute a “Conflict of Interest Disclosure Form” (Appendix A attached hereto) (i) immediately upon election or appointment to his or her position, (ii) annually thereafter and (iii) if not executed previously, before any relevant action of the Board any committee on which such person acts.

In addition, each Interested Person shall annually sign a statement affirming that such person:

- a. **Has received a copy of this Policy,**
- b. **Has read and understands this Policy,**
- c. **Has agreed to comply with this Policy, and**
- d. **Understands that the Corporation 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**

The Board or Audit Committee shall conduct periodic reviews to ensure that the Corporation is operating in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status. The periodic reviews shall, at a minimum, include the following subjects:

- a. **Whether compensation arrangements and benefits are (i) reasonable, (ii) based on competent survey information for similarly qualified persons in functionally comparable positions at similarly situated organizations, and (iii) the result of arm's length bargaining.**
  
- b. **Whether any partnerships, joint ventures, and arrangements with management organizations that the Corporation may have (i) conform to the Corporation's written policies, (ii) are properly recorded, (iii) reflect reasonable investment or payments for goods and services, (iv) further charitable purposes and (v) do not result in inurement, impermissible private benefit or an excess benefit transaction.**

#### ARTICLE VIII

### **Use of Outside Experts**

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

**Appendix A**  
**Conflict of Interest Disclosure Form**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

**Trace Media, Inc.** (the “Corporation”) requires each member of its Board of Directors and each of its officers and administrative personnel annually (a) to review the Corporation’s Conflict of Interest Policy (the “Policy”), (b) to disclose any possible personal, familial or business relationship that reasonably could give rise to a conflict of interest or the appearance of a conflict of interest and (c) to acknowledge by his or her signature that he or she is acting in accordance with the letter and spirit of the Policy. The information provided on this form shall be available for inspection by members of the Board of Directors, any officer of the Corporation and the Corporation’s legal counsel, but shall otherwise be held in confidence except when, after consultation with the applicable parties, the Board determines that the Corporation’s best interests would be served by disclosure.

Please respond to the following questions to the best of your knowledge. Use continuation sheets, if needed, to provide more detailed answers to any of the questions.

1. Please list all entities of which you are an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee, and describe your affiliation with such entity.

2. Please list all corporations, partnerships or other entities in which you have a material financial interest. "Material financial interest" means a 35% or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%.

3. Please list all business dealings that you have had with the Corporation in the past year.

4. Please list all business dealings that any Related Parties, including (i) a current or former officer, director, trustee or key employee of the Corporation or (ii) a family member of a current or former officer, director, trustee or key employee, have had with the Corporation in the past year.



9. Please list any amounts that you, any Related Parties and/or entities listed in paragraphs 1 or 2 above owe to or are owed by the Corporation for any reason, and describe what such amounts are for.

10. Please list any grants that you, any Related Parties and/or entities listed in paragraphs 1 or 2 above received from the Corporation in the last year.

11. Are you aware of any other relationships, arrangements, transactions or matters which could create a conflict of interest or the appearance of a conflict of interest? If so, please describe.

**WRITTEN CONSENT  
OF THE MEMBERS, DIRECTORS AND OFFICERS OF  
TRACE MEDIA, INC.  
TO CONFLICT OF INTEREST POLICY**

I, the undersigned, being a Member, Director or Officer of Trace Media, Inc., a Delaware non-stock, non-profit corporation (the “Corporation”), hereby state that I:

1. I have received a copy of the Conflict of Interest Policy (the “Policy”).
2. I have read and understand the Policy and I am currently, and agree to remain, in compliance with the Policy.
3. I understand that the Corporation is a charitable corporation, 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.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please print)

Title: \_\_\_\_\_