



AMENDED AND RESTATED CONFLICT OF INTEREST POLICY

(REVISED JULY 2018)

Article I Purpose

The purpose of the conflict of interest policy is to protect the interests of Little Kids Rock, Inc., a California nonprofit public benefit corporation (the “**Corporation**”), when it is contemplating entering into a transaction or arrangement that could (i) benefit the private interest of an officer or director of the Corporation within the meaning of Treasury Regulations section 1.501(c)(3)-1(d)(1)(ii), (ii) result in an excess benefit transaction within the meaning of section 4958(c) of the Internal Revenue Code of 1986, as amended (the “**Code**”), or (iii) be a self-dealing transaction within the meaning of section 5233 of the California Corporations Code. This policy is intended to supplement but not replace any state and federal laws governing conflicts of interest applicable to the Corporation.

Article II Definitions

1. An “**Interested Person**” is any director, officer, or member of a committee with board of directors (the “**Board**”) delegated powers (a “**Committee**”), who has a direct or indirect “Financial Interest,” as defined below.
2. A person has a “**Financial Interest**” if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,
 - b. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation 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 Corporation is negotiating a transaction or arrangement.

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

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a Financial Interest may have a conflict of interest only if the Board or an appropriate Committee decides that a conflict of interest exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose all material facts to the directors and Committees members considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the Financial Interest and all material facts concerning the transaction, and after any discussion with the Interested Person, he or she must 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 will decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An Interested Person may make a presentation at the Board or Committee meeting, but after the presentation, he or she must leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the Board or Committee will, if appropriate in the discretion of the Board or Committee, appoint an individual who is not an Interested Person or a committee comprised of individuals who are not Interested Persons to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, including a review of appropriate data as to comparability, the Board or Committee will determine whether the Corporation 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.
- d. If a more advantageous transaction or arrangement not producing a conflict of interest is not reasonably possible under circumstances, the Board or Committee will determine whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. The Board or Committee will decide by a majority vote of the directors or Committee members then in office, as applicable, without counting the vote of any Interested Person, whether to enter into the transaction or arrangement in conformity with such determination.

- e. An otherwise authorized Committee may approve the transaction, in a manner consistent with the above standards, only if it is not reasonably practical to obtain Board approval before entering into the transaction. In such circumstances, the Board, after determining in good faith that the preceding conditions were satisfied, must at its next meeting decide whether to ratify the transaction by a majority vote of the directors then in office, without counting the vote of any Interested Person. If the Board does not ratify the transaction, the Board must take reasonable steps in its discretion to protect the interests of the Corporation.
4. Violations of the Conflicts of Interest Policy
- a. If the Board or Committee has reasonable cause to believe that one of its members has failed to disclose an actual or possible conflict of interest, it will inform such 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 and in the discretion of the Board or Committee, the Board or Committee determines that the member has failed to disclose an actual or possible conflict of interest, it will take such disciplinary and/or corrective action as the Board or Committee determines to be appropriate.

Article IV Records of Proceedings

The minutes of the Board and all Committees will adequately and concurrently document the basis for its determinations under Article III, including but not limited to:

- a. The 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 of interest was present, and the Board's or Committee's decision as to whether a conflict of interest 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, comparability data reviewed, and a record of any votes taken in connection with the proceedings.

Article V Compensation

1. A director who receives compensation, directly or indirectly, from the Corporation for services other than for serving as a member of the Board ("**Non-Board Compensation**"), is precluded from voting on matters pertaining to that director's Non-Board Compensation.

2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives Non-Board Compensation is precluded from voting on matters pertaining to that member's Non-Board Compensation.
3. Voting directors or voting members of any committee whose jurisdiction includes compensation matters and who receive compensation, directly or indirectly, from the Corporation, either individually or collectively, are not prohibited from providing information to any committee regarding compensation.

Article VI Affirmations

Each director or Committee member, upon their election or reelection, and each person upon his or her appointment to a principal office and every three years thereafter while holding the office, must sign the Acknowledgment and Certification included with the Corporation's Annual Conflict of Interest Policy Affirmation and Disclosure Statement which, in part, affirms that 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 that the Corporation, to maintain its federal tax exemption, must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status under section 501(c)(3) of the Code, the Board will evaluate a review which the Board will conduct or cause to be conducted at least every three years. Such 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 Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in (i) private inurement (within the meaning of section 501(c)(3) of the Code), (ii) impermissible private benefit (within the meaning of Treasury Regulations section 1.501(c)(3)-1(d)(1)(ii)), (iii) an excess benefit transaction (within the meaning of section 4958(c) of the

Code), or (iv) a self-dealing transaction (within the meaning of section 5233 of the California Corporations Code).

Article VIII
Use of Outside Experts

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

CERTIFICATE OF SECRETARY

I, Joseph Laska, certify:

That I am the duly elected, qualified, and acting Secretary of Little Kids Rock, Inc., a California nonprofit public benefit corporation (the “Corporation”); and

That the preceding Amended and Restated Conflict of Interest Policy was duly adopted as the Conflict of Interest Policy of the Corporation by the Board of Directors of the Corporation as of July 7, 2018.

Dated: _____, 2018.

Joseph Laska, Secretary

ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY

As required by Article VI of Little Kids Rock’s Conflict of Interest Policy, I affirm that I:

- a. have received a copy of the Conflict of Interest Policy;
- b. have read and understand the Conflict of Interest Policy;
- c. agree to comply with the Conflict of Interest Policy; and
- d. understand that Little Kids Rock is a charitable organization, and that to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Dated: _____

Signature: _____

Print Name: _____