



MECHANICAL LICENSING COLLECTIVE

CONFLICT OF INTEREST POLICY

Article I

Purpose and Scope

This Conflict of Interest Policy (“**Policy**”) applies to all directors, officers, committee members and employees (each a “**Responsible Person**”) of Mechanical Licensing Collective (the “**Collective**”). This Policy establishes guidelines for appropriately managing actual, potential or perceived Conflicts of Interest in accordance with legal requirements and the Collective’s goals of accountability and transparency.

The Collective is committed to conducting its operations in accordance with the highest standards of ethics and integrity. This Policy protects the interests of the Collective when it is contemplating entering into a transaction or arrangement that might benefit or appear to benefit the private interest of any Responsible Person, or indirectly benefit a Related Party.

Each Participant must comply with the letter and spirit of this Policy. The Collective is organized to diligently serve the statutory functions laid out in 17 U.S.C. 115, and each Responsible Person must act and use good judgment to maintain and further the public’s trust and confidence in the Collective.

This Policy is intended to supplement but not replace applicable state and federal laws governing conflicts of interest.

Article II

Definitions

A “**Conflict of Interest**” exists when, in the judgment of the Board of Directors (the “**Board**”), any of the following circumstances exist:

- (a) A Responsible Person holds a stake in a Transaction such that it reduces the likelihood that the Participant’s influence can be exercised impartially in the Collective’s best interests.

- (b) A Responsible Person has any of the following outside interests, whether directly or through a Related Party, which interfere or compete with the Collective's interests:
- i. Actual or potential ownership or investment interest (excluding *de minimis* investments in publicly-traded corporations) in any party with which the Collective has, or is negotiating, a Transaction;
 - ii. Actual or potential compensation arrangement with any party with which the Organization has, or is negotiating, a Transaction; or
 - iii. Relationship through service as a director, officer, employee, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator, or other legal representative of, or consultant to, a party that competes with the Collective in its functions or with which the Collective has, or is negotiating, a Transaction.

For avoidance of doubt, having the financial interest of a musical work copyright owner that receives its respective royalty distributions in the ordinary course of the Collective's administration of mechanical licenses does not by itself create a Conflict of Interest.

"Interested Person" means a person who the Board has determined has a Conflict of Interest.

The terms **"party"** or **"parties"** include individuals and any type of corporate or legal entity.

"Related Party" includes:

- (a) Relatives;
- (b) Parties for which a Responsible Person or Relative serves as a director, officer, employee, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator, other legal representative, or consultant; and
- (c) Parties in which a Responsible Person or Relative has a material financial interest.

"Relative" includes spouses, domestic partners, ancestors, lineal descendants, siblings or half-siblings, or spouses or domestic partners of any of the above.

"Transaction" means any contract, transaction, agreement, or arrangement between the Collective and any third party.

Article III

Procedures

1. **Disclosure and Recusal**

- (a) Subject to the provisions in subsection (b) below, a Responsible Person must disclose the existence of any actual, potential, or perceived Conflict of Interest as soon as such Responsible Person identifies that there may be a Conflict of Interest, and before the Collective enters into the potential Transaction that gives rise to the Conflict of Interest.

If the Responsible Person is a director, officer or advisory committee member, disclosure shall be made promptly to the General Counsel or approved outside counsel (“Counsel”). If the Responsible Person is not a director or officer, disclosure shall be made promptly either to Counsel or to the supervisor or manager of the Responsible Person, who shall promptly inform Counsel.

The Responsible Person shall be given the opportunity to disclose all material facts concerning the proposed Transaction, including the circumstances giving rise to the Conflict of Interest.

If, after disclosure of all material facts is made to Counsel, Counsel determines that an actual conflict may reasonably be found to exist, the Responsible Person must either recuse themselves under subsection (b) below or disclose the conflict and all material facts to the Board, which shall follow the procedures below to determine whether a conflict of interest exists and, if so, to address the conflict of interest.

- (b) A Responsible Person may voluntarily recuse themselves from the discussion and voting on a Transaction. Recusal must be transmitted to the same persons as disclosure must be transmitted in subsection (a) above. A Responsible Person who recuses themselves from discussion and voting on a Transaction need not disclose the details of an actual, potential or perceived Conflict of Interest with respect to that Transaction.

2. Determining Whether a Conflict of Interest Exists

After disclosure of an actual, potential or perceived Conflict of Interest, the Board shall determine whether a Conflict of Interest exists as follows:

- (a) All material facts disclosed by the Responsible Person, or otherwise discovered, shall be put before the Board;
- (b) The Board shall discuss the matter outside the presence of the Responsible Person (which discussion may take place in a meeting, conference call, electronic correspondence or any combination thereof).
- (c) The remaining Board members shall decide if a Conflict of Interest exists. If a majority vote determines that no conflict exists, no further review of the Transaction by the Board is required, unless ordinarily required in the normal course of business for other reasons.

3. Procedures for Addressing the Conflict of Interest

If the Board determines that a Conflict of Interest exists as to a Transaction, the Board shall determine whether to enter into the Transaction using one of the following procedures:

(a) *Disinterested Vote*

- i. The Interested Person(s) shall not be present for, or participate in, the Board's discussion or vote on the Transaction.
- ii. The Interested Person(s) shall not attempt to improperly influence the deliberations or voting on the Transaction.
- iii. The Chair of the Board shall, if appropriate, appoint a disinterested person or committee to investigate the market and alternatives to the Transaction, and present such information to the disinterested directors, who shall determine whether a more advantageous alternative Transaction that would not give rise to a Conflict of Interest can be arranged with reasonable effort.
- iv. If the Transaction is determined by a majority vote of the disinterested directors to be fair and reasonable and in the Collective's best interests, the Board may approve the Transaction by majority vote of the disinterested directors. Interested directors may be counted towards quorum requirements as to such votes.

(b) *Outside Fairness Opinion*

- i. In the event that there are three (3) or more Interested directors with respect to a single Transaction, the Interested directors may notify the Board that they wish to participate in the discussion and vote as to the Transaction. In such case, the Chair of the Board shall appoint one or more disinterested directors to supervise the retention of a neutral, disinterested, third-party expert to provide a written opinion as to the fairness of the Transaction ("Fairness Opinion"). The Board shall also follow the procedures of Article III.3.a.iii above and investigate alternative Transactions.
- ii. If the Fairness Opinion concludes that the Transaction is fair and reasonable, the Interested directors may participate in the discussion and vote as to the Transaction.
- iii. If the Transaction is then determined by a majority vote of the Board to be fair and reasonable and in the Collective's best interests, the Board may approve the Transaction by majority vote.

4. Violations of the Conflict of Interest Policy

- (a) If the Board has reasonable cause to believe a Responsible Person has failed to disclose an actual, potential or perceived Conflict of Interest, it shall inform the Responsible Person of the basis for such belief and afford the Responsible Person an opportunity to explain the alleged failure to disclose.
- (b) If, after hearing the Responsible Person's response and after making further investigation as warranted by the circumstances, the Board determines the Responsible Person has failed to disclose an actual, potential or perceived Conflict of Interest, it shall take appropriate disciplinary and corrective action, which may include removal for cause.

Article IV

Records of Proceedings

The minutes of the Board shall contain:

- (a) (i) the name of the Responsible Person at issue; (ii) the nature of the disclosed or identified interest; (iii) all actions taken to determine whether a Conflict of Interest was present; (iv) the Board's determination; and (v) whether the Responsible Person was present during the determination.
- (b) The names of all persons who were present for discussions by the Board of the Transaction or Conflict of Interest; (ii) a summary of the content of the discussion, including any alternatives to the Transaction and whether the Transaction was deemed to be fair to the Collective; and (iii) all votes relating to the Conflict of Interest or the Transaction.

Article V

Annual Statements

Each director and officer shall annually sign a statement which affirms such person:

- (a) Has received a copy of the Policy;
- (b) Has read and understands the Policy,
- (c) Has agreed to comply with the Policy, and
- (d) Either has no actual or potential conflict to disclose or discloses all relevant facts pursuant to the Policy to allow the Board to determine if a Conflict of Interest exists.

A sample annual statement to be affirmed by each Responsible Person is attached as Exhibit A.

EXHIBIT A

CONFLICT OF INTEREST DISCLOSURE STATEMENT

The Conflict of Interest Policy of Mechanical Licensing Collective (the “Collective”) requires any director, officer, committee member or employee of the Collective to disclose any actual, potential or perceived Conflict of Interest, as defined therein.

Please initial each statement that applies to you:

_____ I have received a copy of the Conflict of Interest Policy.

_____ I have read and understand the Conflict of Interest Policy.

_____ I am not aware of any actual, potential or perceived Conflict of Interest required to be disclosed under this Conflict of Interest Policy.

_____ I am aware of an actual, potential or perceived Conflict of Interest required to be disclosed under this Conflict of Interest Policy. Such interest is described in the attached letter.

I agree to comply with the Conflict of Interest Policy, and to promptly report any future situation that might involve or appear to involve any actual, potential or perceived Conflict of Interest with the Collective.

Name: _____

Signature: _____

Date: _____

Please return this statement not later than _____ to the General Counsel at

_____.