THE TOR PROJECT, INC.

Conflict of Interest Policy

Article I
Purpose

The purpose of the conflict of interest policy of this tax-exempt organization (the Organization) is to protect the Organization’s 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, that might result in a possible excess benefit transaction, or where an officer or director otherwise has an outside interest that might affect his or her independence of judgment.

Article II
Definitions

1. Interested Person

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

2. Financial or Duality Interest

a. A person has a “financial interest” if the person has, directly or indirectly, through business, investment, or family:

   i. an ownership or investment interest in any entity with which the Organization has or is considering a transaction or arrangement;

   ii. a compensation arrangement with the Organization or with any entity or individual with which the Organization has or is considering a transaction or arrangement; or

   iii. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is considering or negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
b. A person has a “duality interest” if the person serves as an officer, trustee, director, key employee, or corporation member of an organization or entity, for-profit or nonprofit, with which the Organization has or is considering a transaction or arrangement, including a grant or funding arrangement. (“Key employee” means a chief management or administrative official, such as executive director or department head.)

c. A financial or duality interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial or duality interest may have a conflict of interest only if the appropriate governing board or 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 or duality 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 or duality interest and all material facts, and after any discussion with the interested person, he or she shall leave the governing 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 of interest 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 or she shall 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 governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall by a majority vote of disinterested directors or committee members determine whether the transaction or arrangement is in the Organization’s best interest.
and for its own benefit, and whether the transaction is fair and reasonable to the Organization, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.
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. the names of the persons who disclosed or otherwise were found to have a financial or duality interest in connection with an actual or possible conflict of interest, the nature of the financial or duality interest, any action taken to determine whether a conflict of interest was present, and the governing board’s or committee’s decision as to whether a conflict of interest in fact existed; and

   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. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member’s compensation.

   b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member’s compensation.
c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI
Annual Statements

Each director, trustee, 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 that the Organization is tax-exempt and that 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 its tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

a. whether compensation arrangements and benefits are reasonable, based on competent comparability information, and the result of arm’s length bargaining; and

b. whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization’s written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further the Organization’s tax-exempt 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, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

9129.0/400422.1