

AUDIOEYE, INC.

# RELATED PARTY TRANSACTION POLICIES AND PROCEDURES

(as of January 14, 2021)

## 1. POLICY

It is the policy of the Board of Directors (the “**Board**”) of AudioEye, Inc. (the “**Company**”) that all Related Party Transactions, as that term is defined in these policies and procedures (this “**Policy**”), shall be subject to review in accordance with the procedures set forth below. The Board has determined that the Audit Committee (the “**Committee**”) is best suited to review all Related Party Transactions.

## 2. PROCEDURES

The Committee shall review the material facts of all Related Party Transactions and may also approve or disapprove of the entry into the Related Party Transaction, subject to the exceptions described below. Where advance Committee review of a Related Party Transaction is not feasible or has otherwise not been obtained, then the Related Party Transaction shall be reviewed subsequently by the Committee (and such transaction may be ratified subsequently by the Committee). The Committee may also disapprove of a previously entered into Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction. In connection with its review of a Related Party Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party’s, as that term is defined in this Policy, interest in the Related Party Transaction.

Management and/or the Related Party shall present to the Committee the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:

- A. A general description of the transaction(s), including the material terms and conditions.

- B. The name of the Related Party and the basis on which such person or entity is a Related Party.
- C. The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
- D. The approximate dollar value of the transaction(s), and the approximate dollar value of the Related Party's interest in the transaction(s) without regard to amount of profit or loss.
- E. In the case of a lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made.
- F. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.
- G. Description of any provisions or limitations imposed as a result of entering into the proposed transaction.
- H. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction.
- I. Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

No Director shall participate in any discussion or approval of a Related Party Transaction for which he or she or any member of his or her Immediate Family Member, as that term is defined in this Policy, is a Related Party, except that the Director shall provide all material information concerning the Related Party Transaction to the Committee.

Each director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction. The Audit Committee or the Board of Directors may recommend the creation of a special committee to review any Related Party Transaction.

If a Related Party Transaction will be ongoing, the Committee may establish guidelines for the Company's management to follow its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.

Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

This Policy is intended to augment and work in conjunction with other Company policies having any code of conduct, code of ethics and/or conflict of interest provisions.

The Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Committee may, as it deems appropriate and reasonable, establish from time-to-time guidelines regarding the review of other Related Party Transactions including those that (i) involve de minimus amounts, (ii) do not require public disclosure, or (iii) involve transactions that have primarily a charitable purpose.

### 3. DEFINITIONS

A “**Related Party Transaction**” is any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

the amount involved will or may be expected to exceed \$120,000,

the Company or any of its subsidiaries is a participant, and

any Related Party has or will have a direct or indirect interest.

A “**Related Party**” is any:

person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director,

greater than 5% beneficial owner of our common stock, or

Immediate Family Member of any of the foregoing. An “**Immediate Family Member**” includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone sharing such person’s home (other than a tenant or employee).

#### 4. CERTAIN RELATED PARTY TRANSACTIONS NOT SUBJECT TO POLICY

Notwithstanding the foregoing, the following shall not be Related Party Transactions for purposes of this Policy:

- A. **Employment of executive officers.** Any employment by the Company of, or compensation of, an executive officer of the Company if (i) the executive officer is not an Immediate Family Member of another executive officer or director of the Company, (ii) the executive officer was not otherwise a Related Party of the Company prior to becoming an employee of the Company and (iii) the Company's Compensation Committee has approved (or recommended that the Board approve) the compensation of such executive officer.
- B. **Director compensation.** Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K.
- C. **Certain transactions with other companies.** Any transactions, arrangements or relationships (or any series of transactions, arrangements or relationships) with another company at which a Related Party's relationship is as a director and/or beneficial owner of less than 5% of that company's equity interests, and subject to the aggregate amount limitation of \$120,000.
- D. **Transactions where all shareholders receive proportional benefits.** Any transactions, arrangements or relationships where the Related Party's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a pro rata basis (e.g., dividends or stock splits).
- E. **Certain banking-related services.** Any transactions, arrangements or relationships with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.
- F. **Charitable contributions.** Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Party's only relationship is as a director, if the aggregate amount involved does not exceed \$25,000.

## **5. DISCLOSURE**

All Related Party Transactions that are required to be disclosed in the Company's filings with the SEC, as required by the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations. The material features of this Policy shall be disclosed in the Company's Annual Report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations.

## **6. ADMINISTRATIVE MEASURES**

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, this Policy.

## **7. INTERPRETATION**

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as this Policy is changed to conform to the law, rule, regulation or standard.