

Conflicts of Interest Policy of the Board of Trustees

BACKGROUND

Hospital is a system of tax-exempt, not-for-profit corporations organized and operated exclusively for charitable, educational, and scientific purposes, and not for pecuniary profit. Each such corporation operates hospitals and other healthcare facilities. (The term “Hospital” in this policy refers to each such corporation and its subsidiaries.) As such, the Hospital must serve the public interest - rather than benefit any private individual or entity - except private benefit that is incidental to the Hospital’s charitable purpose and is insubstantial in light of the Hospital’s overall public benefits. Similarly, the Hospital’s tax exempt status prohibits excess benefit transactions with, and its net earnings benefiting the private interests of, insiders and others who have substantial influence over its affairs.

The affairs of the Hospital are managed by the members of its Board of Directors/Trustees (individually, the “Trustees,” collectively, the “Board”). A majority of the Board’s voting members must represent the community and be independent of the Hospital. These independent Trustees may not be paid officers or employees of the Hospital, physicians affiliated with the Hospital, vendors, consultants, or substantial donors to the Hospital, or Family of any of these people.

ARTICLE I **PURPOSES**

The purposes of this Conflicts of Interest Policy (the “Policy”) are:

1. to protect the Hospital’s interests when it is contemplating entering into a contract, transaction, or arrangement that has the potential for benefiting or the appearance of benefiting a private interest;
2. to protect the Hospital against a waste or misuse of its corporate assets;
3. to assure that all individuals, who by virtue of their position can influence decisions affecting the business, operations, ethical, and/or competitive position of the Hospital, perform their duties in an impartial manner, free from any bias created by any kind of personal interests or outside commitments;
4. to clarify the duties and obligations of “Interested Persons” in the context of potential conflicts of interest and, further, to provide such Interested Persons with a method for disclosing and resolving potential conflicts of interest;
5. to provide guidance to ensure the Hospital prevents excess benefit transactions;

QUESTIONS? Any questions related to the scope of this Policy or any of its terms should be directed to the Office of Corporate Counsel. ***If in doubt as to whether an actual or possible Conflict of Interest exists, disclose it.***

6. to ensure that corporate opportunities are handled appropriately; and
7. to supplement, but not replace, any applicable state laws governing Conflicts of Interest that are applicable to not-for-profit, charitable corporations.

ARTICLE II **POLICY**

It is the policy of the Board that all potential Conflicts Of Interest be evaluated and that actual conflicts of interest be avoided.

All persons who currently hold or wish to be considered for any of the positions described as Affiliated Persons in this Policy shall fully disclose in writing all financial relationships and fiduciary relationships with Competing Entities and entities with which the Hospital does or reasonably expects to do business as such relationships arise by letter and annually on such forms as may be prescribed by the Board.

A person who has a direct or indirect Financial Relationship or Fiduciary Relationship with any Competing Entity is considered to have a conflict of interest and shall not be eligible to serve as an Affiliated Person.

ARTICLE III **DEFINITIONS**

1. *Affiliated Person.* The term “Affiliated Person” includes: Trustees, including non-voting trustees, Emeritus Trustees, and ex-officio trustees, members of a committee of the Board, officers, executive employees, physician employees, employees at the Director level and above, officers of the medical staff, and any other persons or categories identified by the Conflicts Committee or Board.

2. *Interested Person.* “Interested Person” means any Affiliated Person who has an actual or possible Conflict of Interest.

If a person is an Interested Person with respect to any entity in the health care system of which the Hospital is a part, he or she may be an Interested Person with respect to other entities in the health care system.

3. *Conflict of Interest.* With respect to a contract, transaction, business, or other arrangement of the Hospital or which the Hospital is considering, a person may have a “Conflict of Interest” if the person has (directly or indirectly through business, investment, Family, or otherwise):

(a) an ownership or investment interest in any entity involved in such contract, transaction, or arrangement; or

(b) a compensation arrangement with any entity or individual involved in such contract, transaction, or arrangement; or

(c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Hospital is negotiating such contract, transaction, or arrangement; or

(d) a paid or unpaid fiduciary position (*e.g.*, officer, director, partner, shareholder, principal, trustee, committee member, LLC member or manager, or key employee) with respect to an entity involved in such contract, transaction, or arrangement; or

(e) a consultant, creditor, spokesperson, non-key employee, or other position with respect to any entity involved in such a contract, transaction, or arrangement if the Board or Committee determines that such position would fit within subsection (f) or (g) below; or

(f) a non-economic affiliation or relationship, directly (or indirectly, through any third party) with an individual or entity with which the Hospital is negotiating or maintains a contract, transaction or arrangement such that the affiliation or relationship could render the person incapable of making a decision with only the best interests of the Hospital in mind; or

(g) when the Board or Conflicts Committee determines for any other reason that a person's financial, fiduciary, or other interests or outside involvement/commitment appears to be contrary to the best interests of the Hospital, or has the potential to place another's interests above those of the Hospital or does do so, or otherwise may be an improper bias or influence or a conflicting interest or obligation; or

(h) any relationship described in Exhibit A.

4. **Compensation.** Compensation includes direct and indirect remuneration from the entity to the individual in question as well as gifts or favors that are substantial in nature.

5. **Competing Entity.** Any healthcare system, hospital, ambulatory surgery center, endoscopy or therapy center, freestanding diagnostic or outpatient facility, or other health care provider not owned in whole or in part by or affiliated with the Hospital or a subsidiary of Hospital that offers the same or similar services as the Hospital or any of its subsidiaries to individuals in the service area of the Hospital and/or is determined by the Board to be a Competing Entity.

6. **Family.** The term "Family" includes the following (whether by blood, adoption, or marriage): spouses, siblings (whole and half), parents, grandparents, children, grandchildren, parents of spouses (*i.e.*, father- and mother-in-law), spouses of (whole and half) siblings (*i.e.*, brother- and sister-in-law), and spouses of children (*i.e.*, daughter- and son-in-law).

7. **Fiduciary Relationship.** Means and includes any position of trust with any organization including but not limited to service as a director, trustee, manager, officer or key employee of any organization or entity.

8. **Financial Relationship.** Means and includes but is not limited to direct and indirect ownership or investment interests of five percent (5%) or more and compensation arrangements.

- (a) An ownership or investment interest may be through equity, debt, or other means.
- (b) A direct Financial Relationship is one that is between the individual in question and the entity.
- (c) An indirect Financial Relationship is one that is between the entity and either: (a) the individual's employer, (b) an immediate family member of the individual, or (c) any entity in which the individual serves as a director or officer, or in which the individual or an immediately family member of the individual holds an ownership or investment interest.

9. **Conflicts Committee.** The Audit Committee of the Board will serve as the Conflicts Committee unless and until the Board appoints a separate Conflicts Committee. The Conflicts Committee is delegated authority to review, evaluate, and report on actual or possible Conflicts of Interest however disclosed or discovered, as well as to support the Board in handling actual or possible Conflicts of Interest and any other tasks which may arise that relate to this Policy. This Committee must be entirely disinterested as described in Article IV, Section 3(b)(ii).

ARTICLE IV PROCEDURES

1. **Annual Statements.** Prior to the beginning of each fiscal year, the Board shall ensure that each Affiliated Person is provided: a copy of the Policy and a *Conflicts of Interest Questionnaire* (the "Questionnaire"). Annually, the Affiliated Person shall complete, sign and return the Questionnaire to the Conflicts Committee. All Questionnaires shall be signed affirming that the Affiliated Person:

- (a) has received a copy of the Conflicts of Interest Policy;
- (b) has read and understands the Policy;
- (c) agrees to comply with the Policy;
- (d) understands that the Policy applies to committees and subcommittees;
- (e) understands that the Hospital is a charitable organization 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; and
- (f) agrees to promptly report to the Conflicts Committee any change in matters previously reported on any Questionnaire or Disclosure Statement.

Anyone who reasonably believes another Affiliated Person may have an actual or possible Conflict of Interest should report it promptly in the manner described above.

2. Ongoing Obligation and Changes in Circumstances. Affiliated Persons have a continuing obligation to promptly disclose the existence and nature of any actual or possible Conflict of Interest, including all material facts, to the Conflicts Committee in writing. In addition to the annual disclosure, each Affiliated Person must promptly disclose to the Conflicts Committee or Board at any time such Affiliated Person: (a) enters into a new relationship that may create a possible or actual Conflict of Interest, (b) when an existing relationship becomes a possible or actual Conflict of Interest, or (c) in response to any event or transaction of the Hospital that may give rise to a possible or an actual Conflict of Interest.

Disclosures shall be made either: (a) *In Writing*; or (b) *Spontaneously at a meeting*. It is the duty of each Board member to spontaneously disclose potential conflicts during any Board or committee meeting at which any possibly conflicting contract, transaction, or arrangement is addressed, and then recuse him/herself to enable deliberation. Such disclosures must be made *before* the consummation of any contract, transaction, or arrangement that is the subject of the potential Conflict of Interest.

3. Determining if a Conflict of Interest Exists.

(a) *Addressing the Conflict.* After an Interested Person discloses a possible or actual Conflict of Interest by annual disclosure or at a Board or committee meeting, or if the Conflicts Committee or any other person or committee reports an actual or possible Conflict of Interest, the Board or Conflicts Committee shall review the matter and determine whether a Conflict of Interest exists, using the following guidelines.

(i) *Spontaneous.* Upon disclosure of an actual or possible Conflict of Interest and all related material facts at a Board or committee meeting, the Interested Person must recuse himself and the Board or Committee must evaluate: (i) whether an incurable Conflict of Interest exists; (ii) whether the contract, transaction, or arrangement can proceed or should be deferred to enable review by the Conflicts Committee. To determine whether a contract, transaction, or arrangement can proceed, the Board or Committee must consider it according to the due diligence guidelines set out in Section 4 below. A Committee must report the Conflict and its determination to the Board.

(ii) *Written.* A written disclosure of an actual or possible Conflict of Interest and all related material facts shall be referred to the Conflicts Committee for evaluation and recommendation to Board.

(b) *Recusal from Discussion and Vote.*

(i) *Recusal of Interested Person.* The Interested Person must be given the opportunity to present all materials facts to the Board or Committee and may answer any questions. However, the Interested Person must then leave the meeting and **cannot be present** when the Board or committee discusses and votes upon whether a Conflict of Interest exists.

(ii) *Recusal of Others.* All those present at the meeting must be disinterested when the Board or Committee discusses and votes upon whether the Interested Person has a Conflict of Interest. Others who **cannot be present** during such discussion and vote, but may answer questions and present materials facts, include: (i) any Family of the Interested Person, (ii) anyone subject to the Interested Person's direction or control because of an employment relationship with him or her, (iii) anyone who receives compensation or other payments subject to the Interested Person's approval, (iv) anyone who approves a contract, transaction, or arrangement providing economic benefits to an Interested Person who in turn has approved or will approve a contract, transaction, or arrangement providing economic benefits to that person; and (v) anyone else who would not be disinterested or could have an actual or possible Conflict of Interest.

(c) *Consultation.* The Board or committee may request additional information from all reasonable sources and may involve the Corporate Counsel (or designee) in its deliberations.

(d) *Hold on Approving the Underlying Contract, Transaction, or Arrangement.* The contract, transaction, or arrangement that may result in the Conflict of Interest cannot be approved until the actual or possible Conflict of Interest is addressed.

4. Procedures When Addressing Contracts, Transactions or Arrangements with Interested Persons.

When the Board or a Committee is discussing or voting on a contract, transaction, or arrangement involving an Interested Person and to determine whether the arrangement can proceed, the following procedures must be followed:

(a) The Interested Person must leave the meeting and **cannot be present** during the discussion of, and the vote on, the contract, transaction, or arrangement. The Interested Person may make a presentation at the Board or committee meeting and may answer questions. Similarly, those other persons described at Section 3(b) are permitted to answer questions, but **cannot be present** during the discussion and vote.

In determining whether and when to require the Interested Person to leave the room during discussion of the proposed contract, transaction or arrangement, the disinterested Trustees shall balance the need (i) to facilitate the discussion by having such person on hand to provide additional information, against (ii) the overarching need to preserve, without a doubt, the independence of the determination process.

(b) Due Diligence.

The Board or committee must review appropriate information, data (including comparability data) and alternatives to assure to its reasonable satisfaction that: (1) the proposed contract, transaction, or arrangement is fair and reasonable to the Hospital; (2) the proposed contract, transaction, or arrangement is in the best interest of the Hospital; (3) the compensation paid under the proposed contract, transaction or arrangement is reasonable and

consistent with fair market value; and (4) that there are no other reasonable alternatives to the proposed contract, transaction, or arrangement.

(i) *If Alternatives Available.* If it is determined a more advantageous contract, transaction, or arrangement which would not give rise to a Conflict of Interest is available, the transaction with the Interested Person cannot proceed.

(ii) *If No Alternatives.* If a more advantageous contract, transaction, or arrangement is not reasonably attainable under circumstances that would not produce a Conflict of Interest, then the Board may determine by a majority vote of the disinterested Trustees whether the due diligence standards outlined above are satisfied, and if so, the transaction may proceed to vote by disinterested Trustees.

(iii) The following checklist may be used:

- a majority of the disinterested Trustees
- actually and reasonably believe,
- after sufficient due diligence and investigation,

that such contract, transaction, or arrangement is

- in the best interests of,
- for the benefit of, and
- fair and reasonable to, the Hospital,
- taking into account whether a more advantageous contract, transaction, or arrangement could be obtained with reasonable efforts under the circumstances.

(c) *Advise Interested Person; Protect Hospital Interests.* If the Board or a Committee determines that a Conflict of Interest exists with respect to an Interested Person's outside activities, contract, transaction, or arrangement, the Board or committee shall advise the Interested Person of its findings, and shall take all reasonable actions it deems necessary and appropriate in order to protect the Hospital's interests.

5. *Violations of the Conflicts of Interest Policy.*

If there is a violation or perceived violation of the Conflicts of Interest Policy, the Board or committee shall inform the Chairman of the Board and the Corporate Counsel.

(a) *Failure to Disclose.* If the Board or Conflicts Committee has reasonable cause to believe that an Affiliated Person has failed to disclose actual or possible Conflicts of Interest, it shall inform the Affiliated Person of the basis for such belief and afford the Affiliated Person an opportunity to explain the actual or possible Conflict of Interest and alleged failure to disclose. If any other committee or person discovers the failure to disclose, it shall promptly report same to the Conflicts Committee.

(b) *Corrective Action.* If, after hearing the response of the Affiliated Person and making such further investigation as may be warranted in the circumstances, the Board or Conflicts Committee determines that the Affiliated Person has in fact an actual or possible Conflict of Interest and has in fact failed to disclose such Conflict of Interest, it shall take appropriate corrective action, which may include prohibiting the Interested Person from continuing to serve as a Trustee, committee member, key employee, officer, or in any other capacity on behalf of the Hospital.

(c) *Other Investigation and Correction.* The Board or Conflicts Committee shall also further investigate to determine whether any possible or completed contracts, transactions, or arrangements relate to or could be affected by the actual or possible Conflict of Interest.

(d) *Notice to Legal.* If the Board or Conflicts Committee determines that a Conflict of Interest existed, the Board shall promptly advise the Corporate Counsel.

ARTICLE V **RECORDS OF PROCEEDINGS**

The minutes of the Board and the Conflicts Committee and any other committees that consider or approve a contract, transaction, or arrangement for the Hospital should contain:

(a) *Regarding an Actual or Possible Conflict of Interest.*

- (i) the names of the persons who disclosed or otherwise were found to have an actual *or possible* Conflict of Interest,
- (ii) the nature of the actual or possible Conflict of Interest,
- (iii) any action taken to determine whether a Conflict of Interest was present, and
- (iv) the Board's or the committee's decision as to whether a Conflict of Interest in fact existed; and

(b) *Regarding the Contract, Transaction or Arrangement.*

- (i) the names of the persons who were present for discussions and votes relating to the contract, transaction, or arrangement,
- (ii) the content of the discussion, including whether any alternatives to the proposed contract, transaction, or arrangement were considered and generally what the alternatives were,

- (iii) the terms of the contract, transaction, or arrangement that was approved and the date it was approved,
- (iv) data that was considered regarding how the compensation for services compares to similarly situated organizations or a fair market value assessment,
- (v) the basis for any determination that compensation or fair market value for a contract, transaction, or arrangement is higher or lower than the data reviewed regarding comparable situations, and
- (vi) a record of any votes in favor, opposed, and abstaining taken in connection therewith.

ARTICLE VI
COMPENSATION MATTERS

The Board and any committees or Compensation Committee shall follow the procedures of this Conflicts of Interest Policy in determining appropriate compensation arrangements.

1. An Affiliated Person who receives compensation, directly or indirectly, from the Hospital for services is precluded from participating in any committee, deliberations or vote on matters pertaining to that person's compensation.

2. Physician Trustees who receive compensation, directly or indirectly, from the Hospital, whether as employees or independent contractors, are precluded (a) from discussing and voting on matters pertaining to that physician's and other physicians' compensation (b) from membership on any committee whose jurisdiction includes compensation matters. No physician or physician Trustee, either individually or collectively, is prohibited from providing information to the Board of Trustees regarding physician compensation.

ADDENDUM A

Policy Regarding Corporate Opportunities & Confidentiality

1. *Corporate Opportunities.*

(a) *Disclosure.* No Affiliated Person shall directly or indirectly, through business, investment, or Family, take any measures to pursue a contract, transaction, arrangement, or other opportunity which may be of interest to the Hospital without first: (1) fully disclosing the terms of the contract, transaction, opportunity, or arrangement to the Hospital and (2) allowing the Hospital the first option to participate in the contract, transaction, opportunity, or arrangement. If an Affiliated Person fails to do so, he or she may breach his or her corporate duty of loyalty to the Hospital.

(b) *Review and Determination of Opportunity; Recusal.* Promptly upon disclosure by the Affiliated Person, the Board should reasonably determine whether it would be in the best interests of, and in accordance with the charitable purposes of the Hospital to pursue the contract, transaction, or arrangement. For purposes of the Board's discussion and determination of whether or not to pursue the contract, transaction, or arrangement, the Affiliated Person shall be regarded as having an actual or possible Conflict of Interest and shall recuse himself/herself from deliberations and vote but shall first have an opportunity to present material facts. The Board should notify such Interested Person within a reasonable time as to its determination of whether the Hospital will pursue the contract, transaction, or arrangement.

(c) *If Hospital Declines Opportunity; Conflict of Interest.* If the Board decides the Hospital should not pursue the contract, transaction, or arrangement, the Board shall then examine whether a Conflict of Interest would arise for the Interested Person if he or she were to pursue the contract, transaction, or arrangement. If it is determined that a Conflict of Interest would arise, the Board shall so notify the individual and take all reasonable actions it deems necessary and appropriate in order to protect the Hospital's interests.

2. *Confidentiality, Personal Use of Hospital, Information or Position Restricted.* Trustees and officers of the Hospital are generally restricted from personally utilizing opportunities or information discovered through their positions with the Hospital. Hospital information acquired as a Trustee, member of a committee, officer, or employee which is inside information not generally known to the public may not be used for personal benefit or gain or disclosed for any other purpose.

ADDENDUM B

Policy Regarding Compliance with Corporate Purposes

To ensure that the Hospital operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, the Board shall conduct periodic reviews. The periodic reviews shall, at a minimum, include the following subjects:

- (1) Whether contracts and transactions with physicians and other provider services agreements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Hospital's charitable purposes and do not result in inurement or impermissible private benefit..
- (2) Whether partnership and joint venture arrangements and arrangements with management service organizations and other health care venture arrangements conform to written policies, and/or strategic initiatives, are properly recorded, reflect reasonable payments for goods and services, further the Hospital's charitable purposes and do not result in inurement or impermissible private benefit.
- (3) Whether agreements and transactions with providers, employees, third party payors, and others further the Hospital's charitable purposes and do not result in inurement or impermissible private benefit.
- (4) Whether the overall policies, procedures and practices of the Hospital further the Hospital's charitable purposes.

In conducting periodic reviews, the Hospital may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

EXHIBIT A

Examples of Potential Conflicts of Interests

The following situations may cause an Affiliated Person to have a conflict of interest and must be disclosed to the Conflicts Committee:

A. Such Affiliated Person serves on the board of trustees or board of directors or a board committee of an entity operating a hospital, health maintenance organization, preferred provider organization, independent practice association, physician hospital organization, or any other health care provider entity or association that is in existence or in the process of being formed and which is located in the Hospital's service area or otherwise competes with the Hospital (a "Competing Entity"), regardless whether such Competing Entity is organized as a partnership, professional corporation, limited liability partnership, limited liability company, or other corporation or unincorporated association;

B. Such Affiliated Person solicits, bids, contracts, or supplies goods or services to the Hospital or a Competing Entity, or if such Affiliated Person has a financial interest in an organization that solicits, bids, contracts or supplies goods or services to the Hospital or to a Competing Entity;

C. Such Affiliated Person leases property or equipment to or from the Hospital or a Competing Entity or has a financial interest in an organization which leases property or equipment to or from the Hospital or a Competing Entity.

D. Such Affiliated Person is dealing or planning to deal with the Hospital or a Competing Entity or has a financial interest in an organization which is dealing or planning to deal with the Hospital or a Competing Entity in connection with insurance, brokerage or the purchase or sale of real estate, securities, or other property;

E. Such Affiliated Person has a financial interest in an agency, organization, or association that oversees, regulates or otherwise affects the operations of the Hospital or a Competing Entity;

F. Such Affiliated Person provides directive, managerial, consultative, legal or independent contractor services to an entity that does business with the Hospital or a Competing Entity;

G. Such Affiliated Person owns stock or has another proprietary interest in a Competing Entity;

H. Such Affiliated Person holds debt or debt securities in an Competing Entity;

I. Such Affiliated Person obtains confidential information regarding a Competing Entity through such Affiliated Person's services to such Competing Entity;

QUESTIONS? Any questions related to the scope of this Policy or any of its terms should be directed to the Office of Corporate Counsel. **If in doubt as to whether an actual or possible Conflict of Interest exists, disclose it.**

J. Such Affiliated Person accepts gifts or unsecured loans from a Competing Entity;

K. Such Affiliated Person has or will obtain an interest in real estate, securities, or other property that the Hospital is considering buying or leasing; or

L. A Family Member of such Affiliated Person has one (1) of the interests outlined in Section “A” through “K” above. “Family” shall include husbands, wives, children (whether by blood, adoption or marriage), sisters, brothers and parents.