

CONFLICT-OF-INTEREST POLICY

ARTICLE I. Purpose

The purpose of the conflict-of-interest policy is to protect the interest of Community Medical Center, Inc, (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director or committee member of the Corporation. This policy is intended to supplement but not replace any applicable state laws governing conflict of interest applicable to nonprofit and charitable corporations. This policy is further intended to supplement but not replace Article III of the Restated Bylaws of the Corporation.

ARTICLE II. Definitions

1. Interested Person. Any director, principal officer or member of a committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest. 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, or
- 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 or indirect remuneration as well as gifts or favors that are substantial in nature.

ARTICLE III. Procedures

1. Duty to Disclose: In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the directors and members of committees considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists: After disclosure of the financial interest, the interested person shall leave the Board or committee meeting while the financial interest is discussed and voted upon. The remaining Board or committee members shall decide, by a majority vote of the disinterested directors or committee members, if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- c. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested directors or committee members whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of Conflict-of-interest Policy

- a. If the Board or committee has reasonable cause to believe that an interested person 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 response of the interested person and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the interested person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV. Records of Proceeding

The record of the Board and all committee meetings shall contain:

- 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 discussion 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 therewith.

Article V. Compensation Committees

a. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to the member's compensation.

b. Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee with Board-delegated powers whose jurisdiction includes compensation matters.

Article VI. Annual Statements

Each director, principal officer and member of a committee shall annually sign a statement which affirms that such person:

- a. has received a copy of the conflict-of-interest policy,
- b. has read and understands the policy,
- c. has agreed to comply with the policy, and
- d. understands that the Corporation is a non-profit, public benefit organization and that it must engage primarily in activities which accomplish one or more of its public benefit purposes.

Article VII. Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its non-profit and public benefit purposes, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the results of arm's-length bargaining.
- b. Whether acquisition of provider services results in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's non-profit, public benefit purposes and do not result in inurement or impermissible private benefit.

d. Whether agreements to provide healthcare and agreements with other healthcare providers, employees and third-party payers further the Corporation's purposes and do not result in inurement or impermissible private benefit.

Article VIII. Use of Outside Experts

In 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 shall not relieve the Board of its responsibilities for ensuring the period reviews are conducted.

CONFLICT-OF-INTEREST STATEMENT

At the time of appointment and annually thereafter any director, officer, key employee or committee member having an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval or ratification shall be required to make full disclosure of the nature and extent of his or her interest to the Board or committee prior to its acting on such contract or transaction. The body to which disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists and can reasonably be construed to exist. If a conflict is deemed to exist, such person shall either be excused from voting and/or from participating in discussion on matters involving any such conflicts.