

Allegany Franciscan Ministries

EFFECTIVE DATE: *March 26, 2015*

**POLICY TITLE: *Board, Senior Executives and Interested Persons
Conflict of Interest Policy***

POLICY

It is the Policy of *Allegany Franciscan Ministries* (the "Corporation") to ensure that its business transactions and decisions are free of Conflicts of Interest and are in the best interests of the Corporation. Therefore, the Corporation hereby implements a Conflict of Interest Policy that requires disclosure of any Financial Interest of anyone who serves in a fiduciary capacity. The Procedures described herein will be used by the Board of Directors or President and CEO to determine whether an actual Conflict of Interest exists. In the event of an actual Conflict, the Board of Directors will either avoid the Conflict or appropriately scrutinize the transaction or arrangement giving rise to the Conflict to ensure it is in the best interests of the Corporation.

This Policy is intended to protect the interests of *Trinity Health* and the healthcare system it operates (the "System") when the Corporation is contemplating entering into a transaction or arrangement that might benefit the private interest(s) of a director or trustee, an officer, or other Interested Person and to cause the Boards and Senior Executives of all organizations to submit a formal Conflict of Interest questionnaire on at least an annual basis. This Policy is intended to supplement but not replace any applicable state laws governing Conflicts of Interest applicable to nonprofit and charitable corporations. It is important to note, however, that not every situation described in this Policy necessarily constitutes an actual Conflict of Interest. Rather, it is the purpose and intent of this Policy to stimulate an examination of the relationships described herein (and others suggested by this Policy) that could be an actual Conflict of Interest requiring the formal disclosure and other Procedures described herein.

SEPARATE DUTY OF LOYALTY

Entirely separate from the Policies and Procedures on Conflicts of Interest is the legally- imposed obligation of loyalty, owed by every fiduciary, to place the Corporation's interests above any personal interest when functioning as a fiduciary. This duty extends to safeguarding the Corporation's best interests. All persons associated with the Corporation (including any director or trustee, Senior Executive, or member of a committee with Board-delegated powers) are expected to discharge their duties in a manner the person reasonably believes to be in the best interests of the Corporation and to avoid situations involving a Conflict of Interest.

DEFINITIONS

Conflict of Interest

A Conflict of Interest may occur whenever a person:

1. has a Financial Interest as defined herein;

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2. is an officer, member, owner, or agent of any entity which has, or reasonably anticipates to have, a competitive or business relationship with the Corporation or any entity in the System of which the Corporation is a part;
3. has accepted gifts, gratuities, or entertainment which might influence his or her judgment or actions as a director or trustee, Senior Executive, or member of a committee with Board-delegated powers;
4. has engaged or reasonably anticipates to engage in any Substantive Participation in any entity which has, or is expected to have, a business or competitive relationship with the Corporation or any entity in the System of which the Corporation is a part; except as specifically approved by the Corporation's governing body; or
5. serves as a director, trustee, officer, employee or volunteer of another organization that is either an applicant or grantee of the Corporation (even without a financial interest).

Employee means an individual who is employed, whether part or full-time, by the Corporation or one of its Subsidiaries.

Financial Interest means that a person has, directly or indirectly, through business, investment or family--

1. an ownership or investment interest (other than ownership of not more than one percent (1%) of the publicly traded stock of a widely held company) in any entity with which the Corporation (or any entity in the System of which the Corporation is a part) has a transaction or arrangement, or
2. a compensation arrangement with the Corporation (or any entity in the System of which the Corporation is a part) or with any entity or individual with which the Corporation has a transaction or other business arrangement, or
3. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation (or any entity in the *Trinity Health* System of which the Corporation is a part) is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A Financial Interest is not necessarily a Conflict of Interest. A person who has a Financial Interest may have a Conflict of interest only if the appropriate Board or committee decides that a Conflict of Interest exists.

General Counsel means the Executive Vice President & Chief Legal Officer of *Trinity Health* or his/her designee.

Interested Person means a director or trustee, Principal Officer, Key Employee, or member of a committee with Board-delegated powers, who has a direct or indirect Financial Interest, as defined below. If a person is an Interested Person with respect to any entity in the System of which the Corporation is a part, he or she is an Interested Person with respect to all entities in the System.

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Key Employee means an employee of the Corporation (other than a Principal Officer, director or trustee) who:

1. had reportable compensation exceeding \$150,000 for the year;
2. had or shared organization-wide control or influence similar to that of an officer, director, or trustee, or managed or had authority or control over at least 10 percent of the organization's activities; and
3. was within that group of the organization's top 20 highest paid persons for the year who satisfied both (a) and (b) above.

An individual who is not an employee of the Corporation is treated as a Key Employee if he or she serves as a Director or similar fiduciary of a disregarded entity* of the Corporation and otherwise meets the standards of a Key Employee as set for above.

Key Employees do not include management companies and similar entities that are independent contractors or any person whose aggregate reportable compensation from the Corporation and related organizations is less than \$150,000.

* A disregarded entity is an entity that is wholly owned by the Corporation that is not a separate entity for Federal tax purposes.

Senior Executive means an employee who has a title (or the equivalent title) of vice president or above.

Subsidiary means a legal entity in which the Corporation is the sole corporate member or sole shareholder or in which a Subsidiary of the Corporation is the sole corporate member or sole shareholder.

Substantive Participation

For purposes of this Policy, "Substantive Participation" means:

1. participation as a private investor, except for the holding of not more than one percent (1%) of the publicly traded stock of a widely held company;
2. service in any governance, management, operational, or consultative capacity; or
3. receipt of compensation for service in any governance, management, operational, or consultative capacity.

PROCEDURES

Duty to Disclose

In connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence and nature of his or her Financial Interest to the directors or trustees and members of committees with Board-delegated powers considering the proposed transaction or arrangement. Such Interested Person must be given the opportunity to disclose all material facts to the directors

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or trustees and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

Determining Whether a Conflict of Interest Exists

After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, he/she shall leave the 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.

Procedures for Addressing the Conflict of Interest

An Interested Person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that result in the Conflict of Interest.

The chairperson of the Board or committee may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the Board or committee may 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.

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 trustees or committee members:

1. whether the transaction or arrangement is in the Corporation's best interest and for its own benefit; and
2. whether the transaction is fair and reasonable to the Corporation.

The Board or committee shall then make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

Any Conflict of Interest as described in this Policy that occurs at the Corporation should also be disclosed in writing to the Corporation's President and Chief Executive Officer prior to any formal action being taken by the Corporation.

Violations of the Conflict of Interest Policy

If the Board or committee has reasonable cause to believe that a member has failed to disclose actual or possible Conflict 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.

If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact failed to disclose an actual or possible Conflict of Interest, it may take appropriate disciplinary and corrective action.

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Records of Proceedings

In matters where a potential Conflict of Interest has been identified, the minutes of the Board and all committees with Board-delegated powers shall contain--

1. 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;
2. the nature of the Financial Interest;
3. any action taken to determine whether a Conflict of Interest was present;
4. the Board's or committee's decision as to whether a Conflict of Interest in fact existed;
5. the names of the persons who were present for discussions and votes relating to the transaction or arrangement;
6. the content of the discussion, including any alternatives to the proposed transaction or arrangement; and
7. a record of any votes taken in connection therewith.

Compensation Committees

If a voting member of the Board of Directors or trustees or members of committees with Board-delegated powers receives compensation, directly or indirectly, from that organization for services other than for serving as a member of a Board or committee, such member is precluded from voting on matters pertaining to that member's compensation and shall recuse himself or herself from any discussion pertaining to such compensation.

A physician (other than a physician not practicing medicine within or at the Corporation or any of its facilities or a non-practicing physician, which, for purposes of this section means a physician who does not see patients and is not part of a group of physicians who see patients) who is a voting member of the Board or member of a committee with Board-delegated powers and receives compensation, directly or indirectly, from the Corporation for services, other than serving as a member of a Board or committee, is precluded from discussing and voting on matters pertaining to that member's compensation and other physicians' compensation. No physician or physician director, trustee or committee member, either individually or collectively, is prohibited from providing information to the Board or committees with Board-delegated powers regarding physician compensation.

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

In order to comply with the direction given by the Internal Revenue Service, practicing physicians (but not non-practicing physicians) who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. This provision does not

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automatically exclude physicians who are employed solely as administrative staff and who neither continue to practice medicine nor are associated in any way with any medical practice. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

Annual and Periodic Statements

Each Director or trustee, Principal Officer; Key Employee and other fiduciary, and member of a committee with Board-delegated powers shall sign a statement provided by the Corporation annually [see link below for the current "Annual Disclosure Statement"] and whenever (1) the person first becomes subject to this Policy, and (2) there has been any material change in the person's responses to the previously provided statement. Such statement shall disclose any known or potential Conflict of Interest and affirm that such person —

1. has received a copy of the Conflict of Interest Policy,
2. has read and understands the Policy,
3. has agreed to comply with the Policy, and
4. understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

The statements shall be provided to, reviewed by, and maintained by the President and Chief Executive Officer of the Corporation. At the next meeting of the Board of Directors (or delegated committee of the Board, such as the Human Resources Committee) following the submission of the annual statements, the President and Chief Executive Officer shall submit a written report setting forth the nature of all Conflicts of Interest identified under this Policy, and the action taken in regard thereto, with a copy to the *Trinity Health* General Counsel.

RESPONSIBLE DEPARTMENT

Further guidance concerning this Policy may be obtained from the Legal Department.

RELATED PROCEDURES AND OTHER MATERIALS

- "Annual Disclosure Form" re Conflicts of Interest (attached)
- "Confidentiality Agreement" (attached)

APPROVALS

Initial Approval: *March 26, 2015*

Subsequent Review/Revision(s): *None*

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ALLEGANY FRANCISCAN MINISTRIES

ANNUAL DISCLOSURE STATEMENT REGARDING CONFLICT OF INTEREST POLICY AND CONFIDENTIALITY AGREEMENT

As a Board/Council/Committee Member of Allegany Franciscan Ministries ("Corporation"), I understand that I owe certain fiduciary duties to the Corporation, including the responsibility to avoid conflicts of interest. I acknowledge that I have received a copy of the Corporation's Conflict of Interest Policy ("Policy") dated March 26, 2015 have read and understand the Policy, and do hereby agree to comply with the requirements of the Policy.

I understand that the Corporation is a charitable, tax-exempt organization and that in order to maintain its federal tax exemption the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

I understand that in connection with any actual or possible conflict of interest, the Policy requires that I disclose the existence of any financial interest or other actual or possible conflict of interest and all material facts regarding the financial interest or other the actual or possible conflict of interest, to the directors and/or committee members with Board delegated powers considering the proposed transaction or arrangement that is subject to such conflict or to the CEO as applicable. Except as fully disclosed below, I represent to the best of my knowledge and belief that as of the date hereof, neither I, nor any member of my family, business associate or firm with which I am affiliated or maintain an investment, has a direct or indirect financial interest in a transaction or arrangement that represents an actual or possible conflict of interest in violation of the Corporation's Policy.

() Reportable circumstances (described below):

() No reportable circumstances

I hereby agree to file an amendment to this disclosure statement if subsequent events cause the information contained herein to be incomplete or inaccurate in any way.

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CONFIDENTIALITY AGREEMENT³

I understand that in the position I hold relative to the Corporation I will gain access to information that is sensitive in nature, confidential and/or proprietary to the Corporation ("Confidential Information").⁴ Confidential Information is crucial to the operation of the Corporation and in some instances the Corporation may have an obligation to protect such information. I recognize that the disclosure of such Confidential Information could adversely affect the Corporation. Therefore, I agree that I will not use, publish or otherwise disclose Confidential Information during or subsequent to the period of time I hold this position, except to the extent such Confidential Information becomes publicly available or is otherwise lawfully obtained from third parties.

Date

Signature

Print name

Position

*Please return the executed form to the Trinity Health Office of General Counsel
& Vice President, Legal Services.*