

SacValley MedShare Conflict of Interest Policy

I. INTRODUCTION

The Board of Directors of SacValley MedShare (SVMS), recognizing that it has a fiduciary responsibility to manage SVMS's assets and business, and assure that those assets remain devoted to charitable and tax-exempt purposes, and any/all other duties as deemed necessary, has adopted this Conflict of Interest Policy. The purpose of the Conflict of Interest policy is to protect SVMS by assuring that, when it contemplates entering into a transaction or arrangement that might benefit, directly or indirectly, the private interest of an officer or director (or parties related to him or her) of SVMS (a "Conflict of Interest"), the Board will evaluate that transaction or arrangement in the best interests of SVMS and the accomplishment of its charitable and tax-exempt purposes. See Article II, Section C for a further definition of Conflict of Interest.

Conflicts of Interest are matters that may place, or create the appearance of placing, personal interests at odds with the fiduciary duty of loyalty owed by directors and officers to SVMS. In addition, the appearance of a Conflict of Interest can damage institutional credibility and the ability to fulfill the institution's mission and programmatic goals. The Board of Directors will require that all SVMS directors and officers respect their obligations to act in the best interests of SVMS and for the good of its charitable purposes and avoid even the appearance of impropriety. As a matter of practice, a director or officer should promptly raise any issue which may implicate this policy either with the Executive Director of SVMS or an Officer of the Board.

II. SELF DEALING AND CONFLICTS OF INTEREST

A. Internal Revenue Code: Prohibition of Excess Benefit Transactions with Disqualified Persons and Private Inurement

SVMS is a Charitable Organization under Section 501(c)(3) of the Internal Revenue Code and, under Section 4958 of the Code, may not engage in "Excess Benefit Transactions" (as defined in Exhibit A) with "Disqualified Persons" (as defined in Exhibit A). Accordingly, SVMS will not engage in any transaction or arrangement which provides an economic benefit to or for the use of any disqualified person unless the consideration received by SVMS at least equals the value of the benefit provided. The directors are disqualified persons, as are certain of their relatives (see Exhibit A). For an explanation of the meaning of Excess Benefit Transaction and the Internal Revenue Service safe harbor approval procedures, please see Exhibit A.

In addition to the prohibition on Excess Benefit Transactions, the Internal Revenue Code requires that SVMS be operated exclusively for the promotion of charitable purposes and as such any arrangement involving private inurement or private benefit is forbidden.

B. California Nonprofit Corporation Law: Process for Approval of Self-Dealing by Director and Transactions with Interlocking Directorates

The California Corporations Code specifies procedures that must be followed to approve transactions in which a director has a material financial interest (Section 5233) and in which the participating corporations have common directors (Section 5234). For an explanation of the meaning of Self-Dealing and the approval procedures dictated by the Corporations Code, please see [Exhibit B](#).

C. Special Conflict of Interest Policies Adopted by SVMS

In addition to the rules imposed by the Internal Revenue Code and the California Corporations Code, the Board of Directors of SVMS has adopted the following policy to address Conflicts of Interest. If the Board of Directors or Executive Director or a member of his or her family has a Conflict of Interest or potential Conflict of Interest, the director shall make disclosures as described below, and the Board of Directors shall follow the procedures described below in considering the subject grant or financial, investment or business transaction. For purposes of SVMS's Conflict of Interest Policy, the term "Business Transaction" means any material business, financial, or investment transaction, including, without limitation, transactions involving the payment of consideration by SVMH in exchange for services, or payments made by SVMS in the form of grants or donations.

1. Conflict of Interest Defined

A "Conflict of Interest" exists if a SVMS director or his or her Family Member as defined below):

- a. Directly or indirectly enters into, or seeks to enter into, a Business Transaction with SVMS;
- b. Has a material ownership, financial or investment interest in an organization which directly or indirectly enters into, or seeks to enter into, a Business Transaction with SVMS;
- c. Receives, or potentially receives, material consideration from a person or organization which enters into, or which seeks to enter into, a Business Transaction with SVMS;
- d. Serves as an employee, consultant or contractor, or as a paid or unpaid officer, director or advisor of an organization which enters into, or which seeks to enter into, a Business Transaction with SVMS;
or
- e. Receives, or potentially receives, directly or indirectly, material consideration from SVMS.

2. Incidental Benefits Exempted

The receipt of the following types of benefits shall not be a Conflict of Interest or violate this Conflict of Interest Policy:

- a. incidental or tenuous benefits from SVMS's grant making or financial, investment or business transactions; or
- b. benefits (received in good faith and without favoritism) solely by virtue of being among the class of persons intended to be benefited by charitable or public benefit programs conducted by SVMS or supported by SVMS's grants.

3. Family Members

Family members of a Director include their spouse, ancestors, descendants, siblings and the spouses of descendants and siblings.

D. Disclosure of Actual or Potential Conflicts of Interest

Directors will fully and regularly disclose all material facts relating to any actual or potential Conflicts of Interest. They will submit conflict of interest disclosure forms (SVMS-FORM-114 current version) to the Board Chair:

- a. initially, upon joining the Board of Directors;
- b. annually, before the Annual Meeting;
- c. where appropriate at or prior to action on grant applications and business transactions; and
- d. upon becoming aware of an actual or potential Conflict of Interest.

The disclosure obligations are more fully described in Exhibit C.

E. Board Procedures for Resolution of Conflict of Interest Issues

A grant may be made, or a Business Transaction entered into, where there is an actual or potential Conflict of Interest if:

1. The disclosures set forth above have been made;
2. The business transaction would not constitute an Excess Benefit Transaction under Section 4958 of the Internal Revenue Code;
3. In the case of a grant, the grant meets SVMS's stated eligibility and selection criteria and was found, after an objective review, to carry out SVMS's programmatic goals and objectives;
4. In the case of a Business Transaction, the Board determines in good faith that SVMS is entering into the business transaction for its own benefit, that the transaction is fair and reasonable to SVMS, and that SVMS could not have obtained a more advantageous arrangement with reasonable effort under the circumstances;
5. The interested director may be present at the time of initial presentation of a prospective grant or Business Transaction, but is absent from the room during both Board discussion, and action or vote; and
6. If not involving a director with a material financial interest, a grant may be approved by a majority of the directors present. All other grants and Business Transactions involving a Conflict of Interest must be approved by a majority of the directors in office.

III. ADDITIONAL GUIDELINES FOR DIRECTORS

Board of Directors or the Executive Director shall not use their position as a director of SVMS to advance the interests of themselves or their Family Members, or of a particular organization, constituency, or special interest group by any means, including but not limited to providing information not available to the public, lobbying on behalf of or serving as spokesperson to SVMS for an organization or interest group with which he or she is affiliated, or attempting to

effect a positive decision through his or her position within SVMS. Directors will not materially benefit from any information regarding grant making, investment or other business actions or decisions by SVMS which has not been fully disclosed to the general public.

IV. RECEIPT OF BENEFITS FROM THIRD PARTIES

A. Gifts and Gratuities.

Directors will not directly or indirectly solicit or accept anything of monetary value in excess of **\$100** annually, from persons or organizations doing business or seeking to do business with SVMS unless the solicitation or acceptance is based upon a relationship with such person or organizations in a capacity other than that of director of SVMS.

V. REFERRAL TO COUNSEL

Questions regarding the interpretation or application of this Conflict of Interest Policy should be referred to counsel for SVMS.



CERTIFICATE OF ADOPTION

The foregoing Conflict of Interest Policy was duly adopted by the Board of Directors of the SacValley MedShare effective as of June 2018.

Signature

Date

Name

Board Member Organization

Secretary – Witness
SacValley MedShare

Date

**Exhibit A
Excess Benefit Transactions**

Section 4958 of the Internal Revenue Code imposes a severe excise tax on Disqualified Persons who engage in Excess Benefit Transactions" with a Section 501(c)(3) organization and upon managers involved in the approval of the transactions.

Disqualified Persons:

A "Disqualified Person" is:

1. any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of SVMS, including without limitation any director, officer, or management employee;
2. any member of the "family" of such person (where "family" includes the person's spouse, ancestors, descendants, siblings and the spouses of descendants and siblings); or
3. a corporation, partnership or trust controlled by such a person through the ownership, directly or indirectly of, in the case of a corporation, more than 35 percent of the total combined voting power, in the case of a partnership, more than 35 percent of the profits interest, and, in the case of a trust, more than 35 percent of the beneficial interest.

Approval Process

With respect to any transaction or arrangement whereby SVMS provides an economic benefit to or for the use of a Disqualified Person:

1. Such transaction or arrangement shall be approved by the Board of Directors or a committee thereof that:
 - (i) is composed entirely of individuals unrelated to and not subject to the control of the Disqualified Person involved in the transaction or arrangement;
 - (ii) relies upon appropriate data as to comparability;
 - (iii) adequately documents the basis for its determination; and
 - (iv) determines that the value of the economic benefit provided by SVMS does not exceed the consideration received by SVMS (or, in the case of compensation, that the total compensation to be paid to an individual is reasonable in amount).

Exhibit B

Self-Dealing and Interlocking Directorates

Self-Dealing by Directors

1. Section 5233 of the California Corporations Code defines self-dealing as a transaction in which a director has a material financial interest (“Self-Dealing Transaction”).
2. The California Corporations Code does not prohibit Self-Dealing Transactions. It requires adherence to a specific process in order to approve any Self-Dealing Transaction with SVMS. In general, that process requires that the directors determine in good faith that SVMS is entering into the business transaction for its own benefit, that the transaction is fair and reasonable to SVMS, and that SVMS could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.¹
3. Pertinent exceptions to the mandatory process for approval of director Self-Dealing include:
 - a. action fixing Board or Officer compensation;
 - b. a charitable program approved in good faith and without unjustified favoritism if a director or members of their family are within the intended class of charitable beneficiaries; and
 - c. a transaction involving less than \$100,000 per year where the interested director has no actual knowledge of the transaction.

Interlocking Directorates

Section 5234 of the California Corporations Code permits transactions between corporations having common directors and provides an approval process for such transactions, namely:

- a. all material facts as to the transaction and the SVMS director’s other directorship are known to the Board; and
- b. the matter is approved in good faith by a vote sufficient without counting the vote of the common director(s).

¹ Note that this California law covers only Directors and not staff members or those associated with directors or staff.

Exhibit C
Implementation Procedures and Responsibilities
Responsibilities for Implementation

The following outlines the responsibilities of different bodies within SVMS in the disclosure process, and steps for tracking and monitoring potential conflict of interest situations. This process affirms SVMS's commitment to integrity and fairness in the conduct of all its activities.

Board of Directors. Responsible for reviewing and ratifying the annual report of director affiliations, as reviewed and presented by the Audit Committee and considering recommendations of the Development Committee for amendments to the Conflict of Interest Policy.

Development Committee. Responsible for monitoring SVMS's conflict of interest program, including an annual review of the report of director affiliations, prepared by staff from the director disclosure statements, and presentation of the review to the full Board for ratification. Responsible for reviewing Conflict of Interest Policy and recommending amendments to the Board of Directors.

Individual Directors. Responsible for reporting (annually and as changes require) all relationships which may result in real or potential conflicts of interest with SVMS activities.

Staff. Responsible for managing the conflict of interest program, including collecting the annual director disclosure statements and maintaining a documentation process for tracking directors' relationships.

Disclosure of Affiliations

At the beginning of each director's term and annually thereafter, SVMS will conduct a review of the relationships and affiliations of each director. Disclosure forms are used to collect the information used for the review. Disclosure forms will document affiliations, business relationships, and other areas of potential conflicts of interest for SVMS's directors. All material facts concerning the existence and nature of the actual or potential Conflict of Interest and the relationship of any interested director, officer or staff member to the actual or potential Conflict of Interest shall be disclosed to the Chair of the Audit Committee and to counsel for SVMS. Such facts shall be recorded in the minutes of the Board meeting considering the authorization or approval of the affected grant or business transaction, and where applicable in any proposal summary or recommendations presented to committees and/or the Board for decision. The disclosure process is as follows:

Initial and New Director Process. Each director will complete SVMS's conflict of interest disclosure form at the beginning of his or her term. The completed form will be forwarded to SVMS's Board Chair or Executive Director (ED). The ED will prepare the information for presentation to the next board meeting.

Annually. Each year, prior to the annual Board meeting, a disclosure form will be forwarded to each director. The form is to be completed and returned to SVMS's ED before annual meeting. The ED collects all forms and prepares a report by Director, of all affiliations reported. The report is presented to the Board at the annual meeting. The Board reviews the report and presents the findings to the full Board of Directors and calls for approval.

Interim Review. In addition to the new director and annual disclosure process, SVMS and Directors are responsible for disclosure and review of potential conflicts of interest at each Board or Committee meeting as these issues arise. Directors are responsible for reporting potential conflicts of interest on any individual Board or Committee agenda or grant docket item, prior to deliberation on the item.