

**CONFLICTS OF INTEREST POLICY  
FOR  
SMITH COUNTY BAR ASSOCIATION (“SCBA”)**

WHEREAS, SMITH COUNTY BAR ASSOCIATION (“SCBA”) (“the Corporation”) is a not-for-profit organization duly organized under the laws of the State of Texas and is organized and operated exclusively for charitable purposes, rather than for the personal and private benefit of any person; and

WHEREAS, the Board of Directors of the Corporation (the “Board”) and any of the Board’s Committees seek to ensure that any and all persons serving thereupon, as well as the Corporation’s subsidiaries and operating units including such entities’ managers (collectively the “Corporation”), fully understand the nature, extent and implications of these principles which at all times shall be deemed fundamental to the existence of the Corporation, and that such persons manifest an understanding and acceptance of, and commitment to these principles.

NOW THEREFORE, the Board and all of the Board’s Committees hereby adopt the following Conflicts of Interest Policy.

**Article I**

**PURPOSE**

The purpose of the conflicts of interest policy is to protect the interest of SMITH COUNTY BAR ASSOCIATION (“SCBA”) (“the Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or manager of the Corporation. This policy is intended to supplement but not replace any applicable state laws governing Conflicts of Interest applicable to non-profit and charitable corporations.

Maintenance of the Corporation’s tax-exempt status is vitally important both for its continued financial stability and for public support. Therefore, the IRS as well as state regulatory and tax officials view the operations of the Corporation as a public trust, which is subject to scrutiny by and accountable to governmental authorities as well as to members of the community.

Consequently, there exists between the Corporation and its board, officers, and management employees and the public a fiduciary duty, which carries with it a broad and unbending duty of loyalty and fidelity. The board, officers, and managers have the responsibility of administering the affairs of the Corporation honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of the Corporation. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with the Corporation or knowledge gained there from for their personal benefit. The interests of the Corporation must be the first priority in all decisions and actions.

## Article II

### DEFINITIONS

2.01. **“Compensation Arrangement”** shall mean any agreement or understanding pursuant to which a person may or shall receive, either directly or indirectly, money or property from another person or organization, irrespective of whether such money or property is paid in consideration for the performance of services or the provision of other value.

2.02 **“Conflict of Interest (Conflict)”** shall mean with respect to a matter for discussion or action by the Board or Committee, shall mean any circumstance under which an Interested Person, by virtue of a Financial Interest, may be influenced, or may appear to be influenced, either in whole or in part by any purpose or motive other than the success and well-being of the Corporation and the achievement of its public charitable purposes.

2.03 **“Family”** shall include the spouse, parents, children, spouses of children, brothers, sisters, or spouses of brothers and sisters of the director, officer, committee member or manager.

2.04 **“Financial Interest”** means a person has a financial interest if the person has, directly or indirectly, through business, investment or Family (as defined above):

- a. an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement (including the purchasing of good or services), 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, or
- d. competing directly or indirectly with various health services, products, or plans offered by the Corporation, or
- e. serving as director or rendering managerial or consulting services to any outside concern which does business with or competes with the services of the Corporation, or
- f. disclosing or using information relating to the business of the Corporation for the personal profit or advantage of the Director, Officer, Manager or committee member or his or her Family, or for any other reason unrelated to the performance of corporate duties, or
- g. compensation includes direct and indirect remuneration as well as gifts, entertainment or favors that are substantial in nature.

2.05 **“Interested Person”** means any director, officer, or member of a committee with board delegated powers who has a direct or indirect Financial Interest, as defined above, or any employee who can influence actions of the Corporation (“Manager”) is an “Interested Person.” If a person is an Interested Person with respect to any entity in the health care system of which the Corporation is a part, he or she is an Interested Person with respect to all entities in the health care system.

### **Article III**

#### **AREAS AND NATURE OF CONFLICTING INTEREST**

##### **3.01 Areas in Which a Conflict of Interest May Arise**

Conflicts of Interest may arise in the relations of Directors, Officers, and Managers with any of the following third parties:

1. Persons and firms supplying goods and services to the Corporation;
2. Persons and firms from whom the Corporation leases property and equipment;
3. Persons and firms with whom the Corporation is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, loans, bonds, letters of credit and other financial dealings or other property;
4. Competing or affinity organizations;
5. Donors and others supporting the Corporation;
6. Agencies, organizations, and associations which affect the operations of the Corporation; and
7. Family members, friends, and other employees.

A conflicting interest might arise through (including but not limited to):

1. Owning stock or holding debt or other proprietary interests in any third party dealing with the Corporation;
2. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) with any third party dealing with the Corporation;
3. Receiving remuneration for services with respect to individual transactions involving the Corporation;
4. Using the Corporation’s time, personnel, equipment, supplies, or good will for other than Corporation-approved activities, programs and purposes;
5. Receiving personal gifts or loans from third parties dealing or competing with the Corporation. Receipt of any gift is disapproved except gifts of a value less than \$50 which could not be refused without discourtesy. No personal gift of money should ever be accepted.

It is noted that Conflicts might arise through other areas or through other relations. It is assumed that the directors, officers, and managers will recognize such areas and relations by analogy.

## Article IV

### PROCEDURES

4.01. **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 with board-delegated powers considering the proposed transaction or arrangement.

4.02. **Determining Whether a Conflict of Interest Exists** After disclosure of the Financial Interest and all material facts and after discussion with the Interested Person, 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 if a Conflict of Interest exists.

4.03. **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. This may include seeking a competitive bid or obtaining a comparable valuation.

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 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.

d. In any event the concern of the Board must be the welfare of the Corporation and the advancement of the Corporation's purpose, and the Board must determine that the transaction or arrangement is in the best interest of the Corporation.

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

a. If the Board or committee has reasonable cause to believe that a member 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 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 shall take appropriate disciplinary and corrective action.

## **Article V**

### **RECORDS OF PROCEEDINGS**

The minutes of the Board and all committees with Board-delegated powers 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 discussions 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 VI**

### **COMPENSATION**

6.01. A voting member of the Board or of any committee who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

6.02. Members who are voting members of the Board and who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from discussing and voting on matters pertaining to that member's and other member's compensation. No member or director, either individually or collectively, is prohibited from providing information to the Board regarding member's compensation.

## **Article VII**

### **ANNUAL STATEMENTS**

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

- a. has received a copy of the *Conflicts 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 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.

## **Article VIII**

### **PERIODIC REVIEWS**

To ensure that the Corporation 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, 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 result of arm's-length bargaining.
- b. Whether acquisitions of member practices and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements and arrangements with management service organizations and member's Corporation organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

## **Article IX**

### **USE OF OUTSIDE EXPERTS**

In conducting the periodic reviews provided for in Article VIII, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

*(Signature pages to follow)*

**CONFLICTS OF INTEREST POLICY  
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Signature: \_\_\_\_\_

Printed name: \_\_\_\_\_

Dated: \_\_\_\_\_