

**PROVIDENT FOUNDATION INC.
CONFLICT OF INTEREST POLICY**

**ARTICLE I
Purpose**

The purpose of this Conflict of Interest Policy is to protect the interest of Provident Foundation Inc. (the “Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of the Corporation or possibly result in an “excess benefit” transaction. This policy is intended to supplement but not replace state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

**ARTICLE II
Conflict of Interest Policy and Procedure**

No transaction or arrangement shall be approved, no undertaking ratified, and no contract shall be entered into nor shall any other action be approved, voted on, or addressed by the Board of Directors without complying with the Conflict of Interest Policy set forth in this Article II. Neither this Article II nor any other provision in this Policy shall be construed to prevent anonymous gifts, grants, or contributions to the Corporation.

**ARTICLE III
Definitions**

- (a) An “Interested Person” is a director or officer of the Corporation, or a member of a committee with Board-delegated powers who has a direct or indirect “Financial Interest.” An Interested Person who has a Financial Interest in one or more organizations within a related group of organizations, including the Corporation, will be considered to have a Financial Interest in all related organizations within the related group.

- (b) A person has a “Financial Interest” if the person directly or indirectly, through business, investment or family, has any of the following:
 - (i) An ownership or investment interest in any entity with which the Corporation has an existing transaction or arrangement, or
 - (ii) A compensation arrangement with any entity or individual with which the Corporation has an existing transaction or arrangement, or
 - (iii) 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.

A Financial Interest is not necessarily a Conflict of Interest (as defined in Article V below), and a person who has a Financial Interest only has a Conflict of Interest if the Board of Directors or appropriate committee thereof makes a determination as described in Article V below that a Conflict of Interest exists.

- (c) “Compensation” includes direct and indirect remuneration and gifts or favors, which are substantial in nature.
- (d) A “Conflict of Interest” of an Interested Person with respect to a transaction or arrangement is defined for purposes of this Article III to exist when, according to the determination of the independent members of the Board of Directors, Conflicts of Interest Committee or Special Independent Committee, there is a reasonable expectation that the Interested Person’s judgment with respect to the transaction or arrangement would be influenced on account of or in connection with his or her Financial Interest in the transaction or arrangement.

**ARTICLE IV
Disclosure Duty to Disclose**

Interested Persons shall disclose all Financial Interests and all material facts relating thereto to the Board of Directors, Conflicts of Interest Committee, or Special Independent Committee formed with respect to a specific transaction or arrangement. Such disclosure shall be made promptly upon discovery by the Interested Person of the facts constituting the Financial Interest, and before any action is taken by the Board of Directors on any transaction or arrangement as to which an Interested Person has a Financial Interest. Each director, officer, and member of any committee with Board-delegated powers shall be required to disclose in a timely manner all material facts relating to any potential “Financial Interest” which may serve to cause such person to be an Interested Person.

**ARTICLE V
Determination of Conflict of Interest**

After each Interested Person has made disclosures (pursuant to Article IV above) and provided any other requested information sufficient for the independent members of the Board of Directors, Conflicts of Interest Committee or Special Independent Committee to determine whether such Interested Person has a Conflict of Interest, the independent members of the Board of Directors, Conflicts of Interest Committee or Special Independent Committee shall discuss and determine by majority vote, based upon the available disclosures and information, whether such Financial Interest constitutes a “Conflict of Interest.” After any presentation made by such Interested Person to the Board of Directors, Conflicts of Interest Committee or special Committee regarding the transaction or arrangement, any discussion with such Interested Person requested by the Board of Directors, Conflicts of Interest Committee or Special Independent Committee to clarify or obtain additional information relevant to the Financial Interest, and after clarification sought by the Board of Directors, Conflicts of Interest Committee or Special Independent Committee, the Interested Person as to whom such a discussion or vote is being held shall not be present during such discussion or vote, nor shall any other person who is an Interested Person with respect to the transaction or arrangement at hand be present.

ARTICLE VI
Procedure for Addressing Conflicts of Interest

If the Board of Directors, Conflicts of Interest Committee or Special Independent Committee determines that there is a Conflict of Interest with respect to an Interested Person, the following procedures shall be followed:

- (a) An Interested Person may make a presentation at the governing board or committee meeting, but must leave before any discussion relative to the possible Conflict of Interest.
- (b) The Interested Person shall be required to leave the meeting during the discussion of, and the vote on, the transaction or arrangement that is a possible a Conflict of Interest.
- (c) The Board of Directors, Conflicts of Interest Committee or Special Independent Committee shall appoint, if appropriate, a non-interested person or committee to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the Board of Directors, Conflicts of Interest Committee or Special Independent 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.
- (d) To the extent appropriate to protect the Corporation's interests, the independent members of the Board of Directors, Conflict of Interest Committee or Special Independent Committee (provided all such persons are unrelated to, and not subject to the control of the Interested Person) shall obtain appropriate data as to the "comparability" of the proposed transaction or arrangement. In determining the "comparability" of the proposed transactions, the independent members of the Board of Directors, Conflict of Interest Committee or Special Independent Committee shall seek to determine whether the transaction or arrangement is comparable to a similar transaction or arrangement undertaken at arm's-length for fair market value. For example, in determining whether compensation to be paid to an Interested Person is comparable, the independent Directors may undertake or cause to be performed a compensation analysis comparing compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. This compensation analysis would consider the location of the organization, including the availability of similar positions in the geographic area; independent compensation surveys by nationally recognized independent firms; or actual written offers from similar organizations competing for the person.
- (e) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a Conflict of Interest, the independent members of the Board of Directors, Conflicts of Interest Committee, or Special Independent Committee present, by majority vote, shall determine whether the transaction or arrangement is in the Corporation's best interests and for its own benefit; whether it is fair

and reasonable to the Corporation; and, shall make the decision as to whether to enter into the transaction or arrangement in conformity with such determination.

- (f) The Board of Directors, Conflicts of Interest Committee or Special Independent Committee shall adequately document the basis for the determination. For example, in the previous example of compensation to an Interested Person, these records may include an evaluation of the individual whose compensation is being established and the basis for determining that the individual's compensation is reasonable in light of the evaluation and data.
- (g) A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

ARTICLE VII
Violations of the Conflicts of Interest Policy

- (a) If the Board of Directors, Conflicts of Interest Committee or Special Independent Committee has reasonable cause to believe that a member has failed to disclose actual or possible Financial 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 of Directors, Conflicts of Interest Committee or Special Independent Committee determines that the member has in fact failed to disclose an actual or possible Financial Interest, the Board of Directors shall take appropriate disciplinary and corrective action.

ARTICLE VIII
Procedures for Adequate Record Keeping

The minutes of the board meetings and all committees with Board-delegated powers should include:

- (a) The names of the persons who disclosed Financial Interests, the nature of the Financial Interests and whether the Board of Directors or appropriate committee determined there was a Conflict of Interest; and
- (b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of the vote.

**ARTICLE IX
Compensation**

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from PFI for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from PFI for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from PFI, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

**ARTICLE X
Procedures Ensuring that the Conflict of Interest Policy is Distributed to all Directors,
Principal Officers and Members of Committees**

Each director, officer and member of a committee with Board-delegated powers shall sign an annual statement that the person:

- (a) Received a copy of this 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 all committees and subcommittees having Board-delegated powers; and
- (e) Understands that the Corporation is a charitable organization and that in order to maintain its tax-exempt status, it must continuously engage primarily in activities, which accomplish one or more of its tax-exempt purposes.

**ARTICLE XI
Procedures for Applying the Policy to a Compensation Committee**

Although such persons may provide information to the Board of Directors or any committee thereof, persons who receive, directly or indirectly, compensation from the Corporation, for services as employees or as independent contractors, are barred from voting on compensation issues and shall not serve as members on any compensation committee.

ARTICLE XII
System of Periodic Reviews

The Board of Directors and all committees with Board-delegated powers must conduct periodic reviews of their activities to ensure that the Corporation is operating in a manner consistent with accomplishing the Corporation's charitable purposes and that its operations do not result in private inurement or impermissible benefit to private interests or could otherwise jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. It must periodically be verified that:

- (a) Compensation arrangements and benefits are just and reasonable and are the result of arm's-length negotiation;
- (b) All 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 charitable purposes and do not result in inurement or impermissible private benefit;
- (c) No other transactions or arrangements entered into by the Corporation have resulted in private inurement or impermissible private benefit to any party.

In conducting the periodic reviews provided for in Article X of this Conflicts of Interest Policy, 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.

ARTICLE XIII
Disgorgement; Excess Benefit Portion of Excess Benefit Transactions Voidable

Any amounts which constitute an "excess benefit" under Section 4958 of the Internal Revenue Code of 1986, as amended (the "Code") and which thereby, absent the application of this Article XIII, would incur a penalty excise tax, shall be void ab initio. Such "excess benefit" amount shall be deemed to have been held in trust for the Corporation and shall be returned to the Corporation plus interest payable at the "applicable federal rate" within the meaning of Section 1274 of the Code.

ARTICLE XIV
Compliance with Treasury Regulations

This Article XIV is drafted to comply with (i) Code Section 4958 of the Code and (ii) the Internal Revenue Service's Model Conflict of Interest Policy, as revised in the September 1999 edition of the Exempt Organizations Continuing Professional Education (CPE) Program textbook, as each may be further amended, updated and interpreted. Specifically, the procedure for addressing Conflicts of Interest set forth in Article V are intended to comply with the procedure required to establish the "rebuttable presumption of reasonableness" within the meaning of Section 4958 with respect to the terms of any transaction or arrangement between Interested Persons and the Corporation. This Article XIV shall be interpreted and applied in a manner consistent with the foregoing.