
Carolina Health Centers, Inc.

Standards of Conduct/Conflict of Interest:

1. Statement of Purpose

In our continuing effort to fulfill our organizational mission, Carolina Health Centers (“CHC”) is committed to high standards and compliance with all applicable laws and regulations. All Board members (officers and directors), employees, agents, and volunteers (“Individuals Affiliated with CHC”) are expected to meet high standards of professional behavior whenever acting on behalf of CHC. This is true whether dealing with other employees, patients, providers, vendors, government regulators and/or the general public.

The purposes of these standards are to provide safeguards to prevent Individuals Affiliated with CHC from (1) using their positions for purposes that are, or give the appearance of being, motivated by a desire for private financial gain for themselves or others such as those with whom they have family, business, or other ties; and (2) violating their duty to CHC by inappropriately disclosing confidential information. Each Individual Affiliated with CHC has a personal responsibility for becoming familiar with and complying with the laws, regulations, and policies and procedures related to his or her responsibilities.

2. General Responsibilities

The Board of Directors of CHC recognizes the paramount importance of maintaining CHC’s reputation for integrity that includes, but is not limited to, assuring compliance with applicable Federal, State, and local laws and regulations, as well as fulfilling contractual obligations.

Every Individual Affiliated with CHC is responsible for ensuring that his or her conduct is consistent with these Standards of Conduct, CHC’s Compliance Program (including, but not limited to, policies and procedures on preventing fraud, waste, and abuse), CHC’s policies and procedures, and generally accepted standards of professionalism, courtesy, and respect. Furthermore, Individuals Affiliated with CHC in supervisory positions must assume, and are charged with, responsibility for ensuring that the conduct of everyone they supervise complies with these Standards of Conduct.

All Individuals Affiliated with CHC are required to comply with these Standards of Conduct by signing and returning the acknowledgement attached to this document as Attachment A.

3. Standards of Conduct

In general, CHC expects that all Individuals Affiliated with CHC will behave in a professional and courteous manner. In addition, these Standards of Conduct describe specific standards to which individuals are expected to adhere.

A. Confidentiality of Information

Individuals Affiliated with CHC may acquire confidential or proprietary information by virtue of their positions within, or affiliation with, CHC. The term “confidential or proprietary information” shall mean any and all information (whether written, oral, or contained on storage media or electronic devices) relating to the governance, business, operation, and financial condition of CHC and/or any of its vendors or collaboration partners, as well as any and all other information determined to be confidential. All information communicated in executive sessions or other closed sessions of the CHC Board of Directors is confidential and proprietary information. CHC’s Board of Directors or its Chief Executive Officer (CEO) may determine that other information, including information shared in Board and/or committee meetings, is confidential or proprietary on a case-by-case basis.

Confidential or proprietary information may not be: (1) disclosed outside of CHC without appropriate authorization from the CEO (or in the case of Board members, by the Board Chair in conjunction with the CEO); or (2) used for personal gain or for the benefit of a third-party. Individuals Affiliated with CHC are expected to exercise reasonable care to avoid the inadvertent disclosure of confidential information and, as applicable, will be bound by (and required to comply with) the confidentiality provisions contained in agreements executed between CHC and other organizations and/or individuals, as well as CHC’s internal confidentiality policies and procedures. Individuals Affiliated with CHC may be required to sign a Confidentiality Agreement and/or Business Associate Agreement, as appropriate, that specifically limits the context in which, and persons to whom, confidential information may be communicated. Members of the Board also have a fiduciary duty to not communicate confidential information about CHC to anyone who is not also a member of the Board absent the explicit authorization of the full Board of Directors.

B. Conflicts of Interest

1. General Prohibition

Individuals Affiliated with CHC must strive to make decisions fairly and objectively and always act in the best interests of CHC, without regard to any personal pecuniary benefit or any benefit to a third-party, and with undivided allegiance. As CHC is a Federal grantee under the Department of Health and Human Services (“DHHS”), these standards for managing Conflicts of Interest are also necessary to comply with the Federal Uniform Administrative Requirements set forth at 2 CFR §200.318(c) and DHHS regulations found at 45 CFR §75.327(c). No Individuals Affiliated with CHC shall participate in CHC’s selection, award, or administration of any contract or grant, paid in whole or in part with Federal funds, when a real or apparent Conflict of Interest (as defined below) is involved.

2. Definitions

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- a. *Interest.* A person has an “Interest” if he or she has, directly, or indirectly through a family member or business partner:
 - A business relationship (*e.g.*, an actual or forthcoming contractual or employment arrangement) with: (1) CHC; (2) an entity with which CHC has entered (or is negotiating to enter) a transaction or arrangement; or (3) an entity that is a competitor or potential competitor of CHC;
 - A financial relationship (*e.g.*, a controlling or material ownership, or investment interest, employment relationship, or other relationship that a reasonable person would deem significant) with or a tangible personal benefit from: (1) an entity with which CHC has entered (or is negotiating to enter) a transaction or arrangement; or (2) an entity that is a competitor or potential competitor of CHC;
 - A fiduciary relationship (*e.g.*, Board member or trustee) with: (1) an entity with which CHC has entered (or is negotiating to enter) a transaction or arrangement; (2) an entity that is a competitor or potential competitor of CHC; or
 - A personal relationship with an individual who has a business, financial, or fiduciary relationship as defined above. A personal relationship means a relationship based on family, business partnership, friendship, or romance.

Any interest in a company through publicly traded stocks, bonds, or mutual funds available to the general public shall not constitute an Interest, provided the ownership or investment interest is less than one percent of the company’s shares.

- b. *Conflict of Interest.* A “Conflict of Interest” arises whenever the Interest of a person competes with or has the potential to compete with the best interests of CHC. A Conflict of Interest is presumed to exist if a person with an Interest is involved in any way in the transaction or arrangement in which he or she has such Interest.

3. Affirmative Disclosure Requirements

It is the policy of CHC that all Interests shall be fully disclosed by any Individual Affiliated with CHC regardless of whether a Conflict of Interest is determined to exist.

- a. *Annual Disclosures.* CHC requires that all Individuals Affiliated with CHC disclose in writing (and update at least annually): (1) all Interests that may create an actual or potential Conflict of Interest, and (2) where applicable, provide a statement suggesting how such Conflict of Interest could be avoided or mitigated. In order to facilitate such full disclosure, CHC requires that all Individuals Affiliated with CHC annually complete the Disclosure Form. Completion of a

Disclosure Form does not relieve individuals of the obligation to comply with these Standards of Conduct with regard to disclosure of Interests that may occur after the filing of the Disclosure Form (*e.g.*, with respect to a particular transaction).

- b. *Supplemental Income.* CHC requires that all employees of CHC disclose in writing (and update at least annually) any specifics of any plans to accept supplemental income outside CHC employment if there is a possibility such outside employment or consultancy conflicts, or has the potential or appearance to conflict, with the interests of CHC.
- c. *Continuing Obligation.* CHC requires that all Individuals Affiliated with CHC disclose Interests that arise after the annual filing of the Disclosure Form.
- d. *Recipients of Disclosures.*
 - 1) Members of, and candidates for membership on, the Board of Directors shall make disclosures to the Chair of the Board of Directors. If the Chair has such an Interest, he or she must make disclosures to the Vice Chair, who will, in turn, be responsible for advising the Board.
 - 2) The CEO shall make disclosures to the Chair of the Board who will be responsible for advising the Board of such disclosure.
 - 3) All other Individuals Affiliated with CHC shall make disclosures in writing to the Corporate Compliance Officer.

4. Determining Whether a Conflict of Interest Exists

In the case of a potentially conflicted person who is either a Board member or the CEO, that person may make a presentation to the Board regarding whether he or she has a Conflict of Interest and may respond to related questions from the Board. However, after such presentation, he or she shall leave the meeting during any discussion of, or vote on, whether a Conflict of Interest exists, and if such Conflict of Interest is determined by the Board to exist, he or she shall leave the meeting during any discussion of, and voting on, the transaction or arrangement that involves the Conflict of Interest. For all other potentially conflicted persons who are Individuals Affiliated with *Health Center*, the Corporate Compliance Officer shall determine whether a Conflict of Interest exists.

5. Procedures for Addressing the Conflict of Interest

- a. *Procurement.* If the Conflict of Interest involves procurement by CHC, the process shall be conducted in accordance with Section III(C) of these Standards of Conduct and CHC's Board-approved policies.

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- b. *Alternative Arrangements.* In other instances, the Board shall, as it may deem appropriate, appoint the CEO to investigate alternatives to the proposed transaction or arrangement and make recommendations. After exercising due diligence, the Board or, in the case of Individuals Affiliated with CHC who are not Board members or the CEO, the CEO shall determine whether CHC can obtain an equivalent (or more advantageous) transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a Conflict of Interest.
 - c. *CHC's Best Interests.* If an alternative transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a Conflict of Interest, the Board or CEO, as applicable, shall determine (if Board, then by a majority vote of the disinterested Board members) whether, notwithstanding the Conflict of Interest, the transaction or arrangement is in CHC's best interest, for its own benefit and whether the transaction is fair and reasonable to CHC such that it would constitute an "arms-length" transaction (and be consistent with 45 CFR Part 75 standards, as may be amended from time to time).
 - d. *Pervasive Conflicts of Interest.* In circumstances where there are material continuing or pervasive Conflicts of Interest, an individual may be required by the Board of CHC or the CEO, as applicable, to withdraw from his or her position with CHC unless the individual, family member or business associate chooses to disassociate from the outside position that causes the Conflict of Interest.

6. Violations of the Standards of Managing Conflicts of Interest

If the Board or CEO, as applicable, has reasonable cause to believe that a person has failed to disclose an Interest, the person shall be informed of the basis for such belief and afforded an opportunity to explain the alleged failure to disclose. If, after hearing the response of the individual who failed to disclose an Interest, and making such further investigation as may be warranted in the circumstances, the Board or CEO determines that the individual has in fact failed to disclose an Interest in accordance with these Standards of Conduct, appropriate corrective and/or disciplinary action shall be taken, including removal of the individual from the selection, negotiation, or administration of any contracts or grants to which CHC is a party, and/or admonishment or removal from the Board.

7. Records of Proceedings

The minutes of the Board and all committees with Board-delegated powers and those records as determined by the CEO shall contain:

- a. *Conflicts of Interest.* The names of the people who disclosed or otherwise were found to have an Interest in connection with an actual or potential Conflict of Interest and the nature of the Interest; any action taken to determine whether a

Conflict of Interest was present; and the Board or CEO's decision, as applicable, as to whether a Conflict of Interest in fact existed.

- b. *Management of Conflicts.* For transactions where a Conflict of Interest has been disclosed or otherwise found to exist, the names of the persons who were present for discussions and votes relating to the transaction or arrangement, and the names of the persons who recused themselves; the content of the discussion, including any alternatives to the proposed transaction or arrangement or CHC's best interest; and a record of any votes taken in connection therewith.

C. Gifts

No Individuals Affiliated with CHC may solicit or accept gifts, gratuities, favors or anything of value from any current or potential patient, vendor or contractor of CHC, or any current or potential party to a sub-agreement with CHC. Every Individual Affiliated with CHC will decline or return any gift and notify the Corporate Compliance Officer of such gift.

A "gift" is defined as anything of value offered directly by or on behalf of an actual or potential patient, vendor or contractor, except for promotional materials of little or nominal value such as pens, calendars, mugs, and other items intended for wide distribution and not easily resold. Gifts include (but are not limited to): personal gifts such as sporting goods, household items, or liquor; social entertainment or tickets to sporting events; personal loans or privileges to obtain discounted merchandise, and the like.

D. Bribery

CHC will immediately dismiss, remove and, as applicable, terminate the employment or contract of any Individual Affiliated with CHC who offered or accepted a bribe to secure funding or other benefits for or from CHC.

E. Cooperation and Honest Dealing with Government Officials

No Individual Affiliated with CHC will attempt to improperly influence actions or decisions made by government bodies, officials, employees, or contractors, unless specifically authorized to do so consistent with applicable CHC policy.

Individuals Affiliated with CHC will be cooperative and truthful in their dealings with any governmental inquiries or requests, including audits, surveys, and certification reviews. However, Individuals Affiliated with CHC who are not authorized to speak on behalf of CHC will not respond to any governmental inquiries or requests, including audits, surveys, and certification reviews, and will promptly report any such inquiries or requests to CHC's CEO, Corporate Compliance Officer, or other appropriate member of the Leadership Team.

F. Political Activities

Individuals Affiliated with CHC will not participate or intervene in any political campaign in support of or in opposition to any candidate for elected public office while at work during business hours or when acting in his/her official capacity / position as an Individual Affiliated with CHC. A political campaign is deemed to begin when an individual announces his or her candidacy for an elective public office or is proposed by others for an elective public office. Individuals Affiliated with CHC may not use CHC's name, logo (or other means of identification as affiliated with CHC), facility or any resources in connection with political campaign activities.

G. Lobbying

Lobbying is generally defined as a communication (written or oral) that is an attempt to influence (for or against) specific legislation including appropriations. Any lobbying activities proposed to be undertaken by CHC or by any Individuals Affiliated with CHC on behalf of CHC shall require the prior approval of the CEO. Any Individuals Affiliated with CHC undertaking lobbying activities will work with the CEO, or his or her designee, to ensure that such activities are supported by non-Federal resources and that all disclosures and reporting of lobbying activities required by State or Federal law are submitted in a timely manner.

H. Vendors and Procurement Standards

CHC will conduct all procurement transactions in a manner to provide, to the maximum extent possible, practical, open, and free competition, in accordance with CHC's Board-approved policies. Said policies will address, among other things, the following principles:

- No Individual Affiliated with CHC may participate in the selection, award, or administration of a contract supported by Federal funds, in whole or in part, if a real or apparent Conflict of Interest (as defined in Section III.B above) would be involved.
- CHC will be sensitive to, and seek to avoid, Organizational Conflicts of Interest. Organizational Conflicts of Interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, CHC is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.¹ CHC avoids and mitigates Organizational Conflicts of Interest in the following manner:
 - In planning and conducting procurements, no parent company, affiliate, or subsidiary organization will be permitted access to non-public information related to the procurement transaction. To the extent that such non-public information is

¹ The concept of "organizational conflicts of interest" was added by the Super-Circular, which does not define the term with any specificity.

already in possession of the parent company, affiliate, or subsidiary, such non-public information will be (to the extent not otherwise commercially sensitive) incorporated into the solicitation.

- In evaluating offers and awarding contracts, CHC will not give preferential consideration to any parent company, affiliate, or subsidiary organization.
- In the event that an Organizational Conflict of Interest, including the appearance of impropriety, cannot be sufficiently mitigated through the above methods, the parent company, affiliate, or subsidiary organization may be barred from competing.
- CHC will be sensitive to, and seek to avoid, non-competitive practices among contractors. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors/consultants that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements.
- Awards will be made to the bidder whose bid is responsive to the applicable solicitation and most advantageous to CHC, in terms of price, quality, and other factors as defined by CHC in such solicitation. CHC will retain the right to reject any and all bids or offers when it is in CHC's interest to do so. CHC retains the right to determine, with respect to any particular procurement, that a sole source procurement is justified

I. Nepotism

Except under extenuating circumstances, as determined by the CEO, CHC will not hire any individual (or assign, transfer or promote a current employee) who is related to one of its employees or contractors, if in the position being applied for (or assigned, transferred or promoted to), the applicant will supervise, be supervised by, or have a direct reporting relationship with the related employee or contractor. Every applicant for employment or consultancy with CHC must disclose any and all family, business and personal relationships with an Individual Affiliated with CHC. No current CHC Board member will be an employee of CHC or an immediate family member (i.e., spouse, child, parent, brother or sister by blood, adoption, or marriage) of an employee. Notwithstanding, the CEO may serve only as a non-voting, ex-officio member of the CHC Board.

4. Your Role in the Adhering to the Standards of Conduct

Individuals Affiliated with CHC are expected to comply with CHC's Standards of Conduct, and its policies and procedures and are **required** to promptly report concerns regarding compliance with said Standards of Conduct, and its policies and procedures or other laws, regulations or policies.

Reporting potential non-compliance and participating in CHC's compliance activities are elements of the job performance of each Individual Affiliated with CHC and is a service to CHC. Reports should normally be made initially through standard management channels, beginning with an immediate supervisor. As an alternative, Individuals Affiliated with CHC may make such reports directly to the Corporate Compliance Officer. For Board members, reports should be made directly to the Corporate Compliance Officer. All reports may be made confidentially and even anonymously. CHC will make every effort to treat all reports confidentially; however, under some circumstances, the identity of the reporting individual may need to be disclosed as part of CHC's appropriate response to allegations of non-compliance. Individuals Affiliated with CHC are expected to cooperate fully in the investigation of any potential non-compliance.

Any Individual Affiliated with CHC who reports a compliance concern in good faith is protected by law from retaliation. Any Individual Affiliated with CHC who retaliates against another Individual Affiliated with CHC for his or her reporting of potential non-compliance or his or her participation in addressing potential non-compliance is subject to discipline. Additionally, any Individual Affiliated with CHC who makes intentionally false accusations regarding a compliance concern is subject to discipline.

Depending on the severity of the violation, violations of these Standards of Conduct may result in the following: (1) for employees, agents and volunteers – oral admonishment, written reprimand, reassignment, demotion, suspension, and/or separation, in addition to legal penalties which might apply; and (2) for officers and members of the Board of Directors – oral admonishment or removal from the Board.

This policy and procedure shall be periodically reviewed and updated consistent with the requirements and standards established by CHC's Board of Directors and management, federal and state laws and regulations, and applicable accrediting and review organizations.

Responsible parties:

Signature _____ Date _____
Executive Director

Signature _____ Date _____

ATTACHMENT A

**CERTIFICATION OF COMMITMENT TO COMPLY WITH
STANDARDS OF CONDUCT**

I hereby acknowledge and certify that I have received and reviewed a copy of the Standards of Conduct of Carolina Health Centers and I understand that it represents a mandatory policy of Carolina Health Centers.

By signing this form below, I agree to abide by these Standards of Conduct during the term of my Board membership, employment, contract, or agency or while otherwise authorized to serve on Carolina Health Centers' behalf. In addition, I acknowledge that I have a duty to report any suspected or known violation of the Standards of Conduct or any Carolina Health Centers policy or procedure to my supervisor or through the normal chain of command (or in the case of Board members, to the Board Chair). I acknowledge that I may also report the information directly to the Corporate Compliance Officer or any other member of senior management.

Please return this completed, signed Certification of Commitment to the Board Chair or Corporate Compliance Officer, as applicable.

Date

Signature

Printed Name

Title/Position with Carolina Health Centers

EXHIBIT B

DISCLOSURE INTERESTS THAT CREATE A POTENTIAL OR ACTUAL CONFLICT OF INTEREST

STATEMENT OF PURPOSE:

As a Board member, officer, employee, agent or volunteer of Carolina Health Centers, I hereby certify that I understand that Carolina Health Centers is a tax-exempt entity and must therefore strictly comply with the standards of the Internal Revenue Service (“IRS”). I will take reasonable measures to identify and avoid potential conflicts of interest in my relationship with Carolina Health Centers and in carrying out my duties on behalf of Carolina Health Centers. I will comply with Carolina Health Centers’ compliance program and its related policies and procedures, such as those polices that relate to Carolina Health Centers’ tax-exempt status, corporate and financial responsibility, conflicts of interest, and best business practices, policies and others related to the business of Carolina Health Centers.

I understand that I owe certain duties to Carolina Health Centers including, but not limited to, a duty of loyalty to Carolina Health Centers. I understand that one aspect of fulfilling my duties to Carolina Health Centers is to avoid actual or potential Conflicts of Interest where my allegiance might be divided, or appear to be divided, between a position of responsibility to Carolina Health Centers, and another professional, personal, business or volunteer position or responsibility.

To help avoid actual or potential Conflicts of Interest, I am disclosing other responsibilities and affiliations that may create or appear to create a Conflict of Interest with regard to my duties to Carolina Health Centers and I agree to further disclose any such actual or potential Conflicts of Interest that may arise after I complete this form. I invite any further inquiry by Carolina Health Centers that it deems appropriate.

AGREEMENT AND DISCLOSURE:

I have read Carolina Health Centers’ Standards of Conduct and agree to comply with its terms relating to Conflicts of Interest. I understand the definition of Interests in the Standards of Conduct and agree to supplement this Disclosure Form in the event that additional Interests arise. Further, I understand that a violation of these standards may, depending on the severity of the violation, subject me to oral admonishment, written reprimand, reassignment, demotion, suspension, and/or dismissal, in addition to legal penalties which might apply.

1. Disclosure of business relationships (*e.g.*, an actual or forthcoming compensation arrangement either by contract or employment) with: (1) Carolina Health Centers; (2) an entity with which Carolina Health Centers has entered (or is negotiating to enter) a transaction or arrangement; or (3) an entity that is a competitor or potential competitor of Carolina Health Centers;

2. Disclosure of financial relationships (*e.g.*, a controlling ownership, investment interest, employment relationship or other relationship that a reasonable person would deem to

be significant) with or tangible personal benefits from : (1) an entity with which Carolina Health Centers has entered (or is negotiating to enter) a transaction or arrangement; or (2) an entity that is a competitor or potential competitor of Carolina Health Centers:

3. Disclosure of fiduciary relationships (*e.g.*, Board member or trustee) with: (1) an entity with which Carolina Health Centers has entered (or is negotiating to enter) a transaction or arrangement; (2) an entity that is a competitor or potential competitor of Carolina Health Centers:
4. Disclosure of personal relationships with an individual who has a business, financial or fiduciary relationship:
5. **BOARD MEMBERS:** I warrant that I am not an employee of Carolina Health Centers and that no member of my family (including my spouse or child, parent, brother or sister by blood, adoption or marriage) is an employee of Carolina Health Centers. I agree to notify the Board if I, or any member of my family, becomes an employee of Carolina Health Centers. (initial here): _____
6. Disclosure of any supplementary income:
7. Suggested means of mitigating any of the situations identified in Items 1 through 5 above:
8. I know of no professional, business or volunteer position or responsibility, including vendor situations, that might give rise to an actual or apparent Conflict of Interest or otherwise impair my ability to make decisions in the best interests of Carolina Health Centers (initial here): _____
9. I warrant that I am not debarred, suspended or otherwise excluded from participation in any state or federally funded programs. I agree to notify the Board and/or CEO, as applicable, if I become debarred, suspended or otherwise excluded from participating in any state or federally funded programs. (initial here): _____

Signature

Date

Printed Name

Title/Position with *Health Center*