*Conflicts of Interest Policy Statement*

**ARTICLE ONE**
**PURPOSE**

The proper governing of the Alliance for Academic Internal Medicine (AAIM) depends on the voluntary contribution of time and effort by members of the board (the "board") and the board members' commitment to the organization's well-being. The purpose of this Policy on Conflicts of Interest ("Policy") is to protect AAIM's interests in connection with possible transactions or arrangements that might benefit the private interests of a Director, Officer, member of the Executive Committee or other committee with council-delegated powers, leader of another AAIM standing committee (collectively, a "Committee Member"), Key Volunteer Leader, or a Key Employee of AAIM. Service in any of these capacities should not be rendered unduly burdensome or impossible solely by reason of a possible conflict. Rather, it is the intent of this Policy to guide the conduct of such persons consistent with AAIM's interests when possible conflicts arise. Additionally, this Policy supplements but does not replace federal and state laws governing conflicts of interest applicable to non-profit corporations such as AAIM.

**ARTICLE TWO**
**DEFINITIONS AND RELATED MATTERS**

2.1 Interested Person. Any Director, Officer, Committee Member, Key Volunteer Leader, or Key Employee, who has direct or indirect Financial Interest, as defined below, is an Interested Person. If a person is an Interested Person with respect to any AAIM-affiliated entity, he or she shall be deemed to be an Interested Person with respect to all AAIM-affiliated organizations.

2.2 Financial Interest. A person has a Financial Interest if he or she has any of the following relationships, whether directly or indirectly, or through business, investments or family relationships; provided, however, that "Financial Interest" shall not otherwise include the routine purchase of goods and services in the ordinary course of business by a member or his or her family or employer (if applicable).

2.2.1 An ownership or investment interest in any entity with which AAIM has entered into a transaction or arrangement; provided, however, that the ownership of 5% or less of a publicly traded company shall not constitute such a Financial Interest.

2.2.2 A compensation arrangement with any entity or individual with which AAIM has entered into a transaction or arrangement; provided, however, that internal honoraria or other intra-Association payments shall not presumptively constitute a Conflicting Interest Transaction as defined in 2.4 below.

2.2.3 Potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which AAIM is negotiating to consummate a transaction or arrangement.

2.2.4 For purposes of this Policy "compensation" includes direct and indirect remuneration as well as gifts or favors that have a value of $300 or more, collectively, on an annual basis.

2.2.5 In applying this Policy, a Financial Interest is not necessarily a conflict of interest. A person having a Financial Interest will actually have a conflict of interest only if the board or committee, as applicable, determines that such a conflict exists.

2.3 "Conflict(s) of Interest" exists hereunder when an Interested Person has another relationship, whether financial or personal, direct or indirect, which may make it difficult for the Interested Person to exercise independent judgment in furtherance of AAIM's best interests. A philosophical or professional difference of opinion, without more, does not constitute a conflict pursuant to this policy.

2.4 Conflicting Interest Transactions. Among other circumstances, a contract, transaction, or other financial relationship between AAIM and an Interested Person, or between AAIM and a party related to an Interested Person, may be a Conflicting Interest Transaction. Examples of Conflicting Interest Transactions include but are not limited to:

2.4.1 Holding a Financial Interest in any outside organization (excepting ownership interests of 5% or less in publicly traded companies) from which AAIM purchases goods and services, or holding an employment, consulting or management position or serving as a director or officer of or in a similar capacity for any such outside organization.

2.4.2 Holding a Financial Interest in any outside organization which competes with AAIM, or holding an employment, consulting or management position or serving as a director or officer of or in a similar capacity for any such competing outside organization.

2.4.3 Serving in any other capacity with a competitor of AAIM wherein the Interested Person will acquire significant confidential, strategic or trade secret information or will otherwise serve in a fiduciary capacity to the competitor.

2.4.4 Accepting any gifts or favors from any person or organization which does or is seeking to do business with AAIM or is a competitor of AAIM. Excepted from this standard are items with a collective annual value of less than $300.00 or social entertainment unrelated to any particular transaction or activity of AAIM.

2.4.5 Disclosing or using confidential information relating to the business of AAIM for the personal profit or advantage of the Interested Person or a party related to an Interested Person, or for any other reason unrelated to performing association duties.

2.5 Direct or Indirect Involvement Prohibited/Exceptions. Notwithstanding any other provision hereof, Interested Persons are prohibited from being directly or indirectly involved in the negotiation, administration, approval or performance of any transaction or arrangement with AAIM where a Conflict of Interest exists under this Policy, unless such involvement has been approved or validated pursuant to the provisions hereof.

2.6 Validity of Conflicting Interest Transactions in Certain Circumstances. No Conflicting Interest Transaction shall be void or voidable solely because an Interested Person or party related to an Interested Person is involved in the transaction or arrangement, provided that:

2.6.1 The material facts regarding the Interested Person's or Related Party's relationship as to the transaction are disclosed or known to the board or committee entitled thereon, as applicable, and a majority of the disinterested members of the board or relevant committee authorizes, approves, or ratifies the transaction in good faith; or

2.6.2 The Conflicting Interest Transaction is deemed to be fair as to AAIM.

2.6.3 Interested Persons may be counted in determining the presence of a quorum at a meeting of the board or a committee which authorizes, approves, or ratifies a Conflicting Interest Transaction.

2.7 Related Parties. For purposes of this Policy a "party related to an Interested Person" shall mean a spouse, descendent, ancestor, sibling, or his/her respective spouse, descendent or ancestor, an estate or trust in which an Interested Person or Related Party has a beneficial interest, or an entity in which an Interested Person or a party related to an Interested Person is a director, officer, manager or otherwise has a Financial Interest.

2.8 Key Employee(s) means the AAIM President and Chief Executive Officer, Deputy Chief Executive Officer and Executive Vice President, Vice President, Director(s) and any other employee or class of employees so designated by the board.

## ARTICLE THREE
## POLICY STATEMENT

Interested Persons owe a duty of substantial loyalty to AAIM. Thus, persons holding such positions may not use their positions to profit personally or to assist others in profiting at the expense of AAIM. Due to the potential for conflicts of interest to arise and their significance to the organization, AAIM requires that all potential and actual conflicts be disclosed promptly and fully to all necessary parties and prohibits the Interested Person from involvement regarding the specific transaction or arrangement which forms the basis of such a conflict, except as set forth in this Policy.

## ARTICLE FOUR
## PROCEDURES

4.1 Duty to Disclose. Any Interested Person shall immediately disclose an actual or potential conflict in writing to the Officers of the Association board. Interested Persons must disclose the nature of their conflict and such written disclosure shall be in addition to and not in lieu of the annual disclosure statement required under Article Seven of this Policy. The Officers may in its/their discretion communicate such information to the board or committee on which the Interested Person serves, as applicable. The Interested Person will be given an opportunity to discuss the material facts of the matter with the board or relevant committee at the time of consideration of a proposed transaction or arrangement which poses the actual or potential conflict.

4.2 Procedures for Addressing an Actual or Potential Conflict of Interest.

4.2.1 After disclosure of material facts regarding an actual or potential conflict, an Interested Person may make a presentation at the appropriate council or committee meeting and respond to questions which may be posed. However, following such presentation, he or she shall leave the meeting during the further discussion of and vote upon the transaction or arrangement that may result in a Conflicting Interest Transaction.

4.2.2 The board or committee chair, as applicable, shall have the discretion to appoint a disinterested person to investigate alternatives to the proposed transaction or arrangement.

4.2.3 After exercising any appropriate due diligence, the board or committee shall make the determination referenced in Section 2.6 of this Policy regarding the particular transaction or any arrangement.

4.2.4 The board or applicable committee shall determine by a majority vote of the disinterested members of the board or committee whether the transaction or arrangement is in AAIM's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

4.2.5 The requirements of this Article Four apply to all transactions or arrangements of any type whatsoever involving actual or potential Conflicts of Interest, regardless of whether or not such transactions or arrangements, in the absence of a conflict, would otherwise be subject to board approval in the normal course of business.

4.2.6 The board and any committee encompassed by this Policy, as applicable, may by resolution delegate the evaluation of conflicts hereunder to the Officers or another board-designated committee to ensure prompt and thorough consideration of such issues. When such delegation occurs, the evaluation and any recommendation of the Officers or other designee shall be reported at the next board or relevant committee meeting, as applicable, and shall be reviewed and voted upon by that body acting through a majority of its disinterested members.

4.3 <u>Violations of the Conflicts of Interest Policy.</u>

4.3.1 If the board or a committee encompassed by this Policy has reasonable cause to believe that a person covered by this Policy has failed to disclose an actual or possible Conflict of Interest or otherwise violated the Policy, it shall inform the person in writing of the basis of such belief and afford the individual an opportunity to explain the alleged failure to disclose or other violation.

4.3.2 If, after consideration of the person's response and making such further inquiries as may be warranted in the circumstances, the board or relevant committee determines that an individual has in fact failed to disclose an actual or possible Conflict of Interest or has otherwise violated the Policy, it shall take appropriate corrective action; provided, however, that the board or other designated committee shall retain ultimate oversight and decision-making authority regarding such matters. The board may remove a member for violations of this policy with a two-thirds majority vote.

## ARTICLE FIVE
## RECORDS OF PROCEEDINGS

The minutes of meetings where Conflicts of Interest are discussed shall explicitly document:

5.1 Adherence by the board or applicable committee to the procedures set out in Article Four;

5.2 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.

5.3 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 with the proceedings.

## ARTICLE SIX
## <u>COMPENSATION</u>

6.1 A voting member of the board who receives compensation, directly or indirectly, from AAIM for services is precluded from voting on matters pertaining to that member's compensation.

6.2 A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AAIM for services is precluded from voting on matters pertaining to that member's compensation.

6.3 No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AAIM, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## ARTICLE SEVEN
## <u>ANNUAL CERTIFICATION STATEMENT AND QUESTIONNAIRE</u>

7.1 Each Director, Officer, Committee Member, Key Volunteer Leader, and Key Employee shall annually sign a statement which certifies that such person:

7.1.1 has received a copy of this Policy;

7.1.2 has read and understands this Policy;

7.1.3 has agreed to comply with this Policy; and

7.2 Understands that AAIM is a tax-exempt organization and must therefore engage primarily in activities in furtherance of its tax exempt purposes. Each year a Conflict of Interest questionnaire will be distributed to all AAIM's Directors, Officers, Committee Members, Key Volunteer Leaders, and Key Employees. Each person who receives a questionnaire shall promptly return the completed document to the Officers of the AAIM board for review and future reference as appropriate.

7.3 A copy of all Alliance for Academic Internal Medicine member association questionnaires will be kept on file at the alliance office in Alexandria, VA.

## ARTICLE EIGHT
## <u>PERIODIC REVIEWS</u>

To ensure AAIM operates in a manner consistent with its tax exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

8.1 Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

8.2 Whether partnerships, joint ventures, and arrangements with management organizations conform to AAIM's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

## ARTICLE NINE
## USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Article Eight, AAIM may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.