

FAITH FAMILY MEDICAL CENTER CONFLICT OF INTEREST POLICY

Article I. Purpose

The purpose of the conflicts of interest policy is to protect the interests of Faith Family Medical Center, Inc. (FFMC) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of FFMC. This policy is intended to supplement but not to replace any applicable laws of the State of Tennessee governing conflicts of interest applicable to nonprofit and charitable corporations.

Article II. Definitions

1. Interested Person

Any director, principal officer, or member of a committee with board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person whether respect to any entity in the health care system of which FFMC is a part, he or she is an interested person with respect to all entities in the health care system.

2. Financial Interest.

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a. an ownership or investment interest in any entity with which FFMC has a transaction or arrangement, or;
- b. a compensation arrangement with FFMC or with any entity or individual with which FFMC has a transaction or arrangement, or;
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which FFMC is negotiating a transaction or arrangement.

Compensation includes direct or indirect remuneration as well as gifts or favors that are substantial in nature. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Article III. Procedures

1. Duty to Disclose.

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of the committee with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

An interested person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

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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.

After exercising due diligence, the board or committee shall determine whether FFMC 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.

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 FFMC's best interest and for its own benefit and whether the transaction is fair and reasonable to FFMC and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy

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.

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 IV. Records of Proceedings

The minutes of the board and all committees with board related powers shall contain:

1. 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.
2. 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 V. Compensation

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from FFMC for services is precluded from voting on matters pertaining to that member's compensation.
2. A physician who is a voting member of the board of directors and receives compensation, directly or indirectly, from FFMC for services is precluded from discussing and voting on matters pertaining to that member's and other physician's compensation. No physician director, either individually or collectively, is prohibited from providing information to the board of directors regarding physician compensation.
3. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from FFMC for services is precluded from voting on matters pertaining to that member's compensation.
4. Physicians who receive compensation, directly or indirectly, from FFMC, whether as employees

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or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

Article VI. Annual Statements

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

has received a copy of the FFMC conflicts of interest policy,
has read and understands the policy,
has agreed to comply with the policy, and
understands that FFMC is a charitable organization 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.

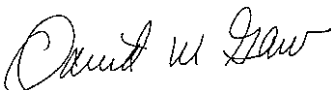
Article VII. Periodic Reviews

To ensure that FFMC 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:

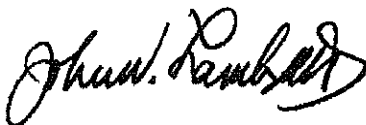
- a. Whether compensation arrangements and benefits are reasonable and are the results of arm's length bargaining.
- b. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further FFMC's charitable purposes and do not result in inurement or impermissible private benefit.
- d. Whether agreements to provide health care and arrangements with other health care providers, employees, and third party payers further FFMC's charitable purposes and do not result in inurement or impermissible private benefit.

In conducting the periodic reviews, FFMC 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.

This policy was duly adopted by a majority vote of the Faith Family Medical Clinic, Inc., board of directors in a special meeting held on February 26, 2001.



Dr. David Gaw
Vice Chairman



Dr. John W. Lamb
Secretary



William F. Youree
Director

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