

**HAWAII HEALTH INFORMATION EXCHANGE
BOARD OF DIRECTORS CONFLICT OF INTEREST POLICY**

Adopted July 20, 2011

**Article I
Purpose**

The purpose of the conflict of interest policy is to protect this tax-exempt organization's ("Hawaii Health Information Exchange" or "HHIE") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or director of HHIE or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state (including Hawaii Revised Statutes 414D-150 et seq.) and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**Article II
Definitions**

"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 HHIE has a transaction or arrangement,
- b. A compensation arrangement with HHIE or with any entity or individual with which HHIE has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which HHIE is negotiating a transaction or arrangement.

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 of Directors or committee decides that a conflict of interest exists.

"Compensation" Includes direct and indirect remuneration as well as gifts or favors that are substantial in nature, the forgiveness of any debt, in-kind transactions, and any other remuneration or compensation that provides a thing of value to the recipient.

"Fair market value" means the price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

“Interested Person” is any Director, principal Officer, or member of a committee with Board delegated powers who has a direct or indirect financial interest, as defined above.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Directors and members of committees with Board of Directors delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest, the interested person shall leave the Board or committee meeting while the financial interest is discussed and voted upon or if the Board or committee is not in session, refrain from participating in or taking action on any transaction. The remaining Board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the Board of Directors or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the Board of Directors or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the Board of Directors or committee shall determine whether HHIE can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board of Directors or committee shall determine by a majority vote of the disinterested Directors whether the

transaction or arrangement is in HHIE'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. Violations of the Conflicts of Interest Policy

a. If the Board of Directors or committee has reasonable cause to believe 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 member's response and after making further investigation as warranted by the circumstances, the Board of Directors or committee determines the member has 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 of Directors 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 of Directors' 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 with the proceedings.

Article V Compensation

a. A voting member of the Board of Directors who receives compensation, directly or indirectly, from HHIE for services is precluded from voting on matters pertaining to that member's compensation.

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

Article VI Annual Statements

Each director, principal Officer and member of a committee with Board of Directors delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has not violated the policy;
- d. Has agreed to comply with the policy, and
- e. Understands HHIE is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

The Board may require the disclosure of other pertinent information on the disclosure statement including employment by other entities and membership on the board of directors of other entities.

Article VII Periodic Reviews

To ensure HHIE operates in a manner consistent with charitable 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:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining. Reasonable compensation is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Reasonable compensation is important because excessive benefits in the form of compensation to disqualified persons may result in the imposition of excise taxes and jeopardize the organization's tax-exempt status.
- b. Whether partnerships, joint ventures, and arrangements with other organizations or entities conform to HHIE'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 VIII
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, HHIE may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Directors of its responsibility for ensuring periodic reviews are conducted.

Adopted by the Board of Directors at the annual meeting of July 20, 2011.

Certified by:

A handwritten signature in black ink, appearing to read "Sijo Kean". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

BY:

Secretary of the Corporation

July 20, 2011

Date