CONFLICT OF INTEREST POLICY

Article I
Purpose

The purpose of this Conflict of Interest Policy (the “Policy”) is to protect PCF’s interest when it is contemplating a transaction or arrangement that might benefit the private interest of an officer or director of PCF or might result in a possible excess benefit transaction. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II
Definitions

1. Interested Person: Any director, principal officer or member of a committee to which the governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

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 PCF has a transaction or arrangement;

   (b) A compensation arrangement with PCF or with any entity or individual with which PCF has a transaction or arrangement; or

   (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which PCF is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors which are not insubstantial.

3. Conflict of Interest Transaction: A transaction in which an “interested person” has a “financial interest” shall be deemed a transaction with the potential for a conflict of interest to which the review and approval procedures outlined in this Policy apply. The Board may determine that a particular conflict of interest transaction should not be subject to the review and approval procedures of this Policy because observance is not necessary to comply with applicable legal or tax requirements.
4. **Principal Officer:** The Chairman of the Board, Chief Executive Officer, Chief Operating Officer, Medical Director, Chief Financial Officer and Treasurer of PCF shall be deemed principal officers. The Board may from time-to-time designate other employees of PCF who exercise substantial influence over the affairs of PCF as principal officers who are subject to this Policy.

5. **Family:** A person’s family consists of that person’s spouse, brothers or sisters (by whole or half blood), spouses of sisters or brothers (by whole or half-blood), ancestors, children, grandchildren, great grandchildren and spouses of children, grandchildren and great grandchildren.

6. **Transaction or Arrangement:** Examples of transactions or arrangements subject to this policy include contracts, leases, loan agreements, joint ventures, employment agreements or arrangements, consulting agreements or arrangements, partnership agreements, contracts or arrangements to purchase goods or services or other agreements, contracts, arrangements or transactions pursuant to which PCF pays or distributes money.

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**Article III**

**Procedures**

1. **Duty to Disclose; Preliminary Review:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of a financial interest in and all other material facts regarding the contemplated transaction with PCF to an officer of PCF and the Legal Counsel of PCF. The notified officer and Legal Counsel shall conduct a preliminary review of the contemplated transaction, gathering the information required by and applying the standards and procedures set forth in Section 2 of this Policy. Following such review, the notified officer and Legal Counsel shall prepare a written report which sets forth the material facts regarding the proposed conflict of interest transaction and any other material information or analysis developed during their review. The report shall also include the notified officer’s and Legal Counsel’s conclusion as to whether or not the contemplated transaction may meet the standards for board or committee approval set forth in Section 2, paragraph (d) below (i.e. the contemplated transaction may be in PCF’s best interest, for PCF’s own benefit and fair and reasonable as to PCF). If the report reaches the conclusion that the contemplated transaction could be approved consistent with the standards set forth in this Policy, the notified officer and Legal Counsel shall submit the report to the appropriate directors or committee members who will then be asked to either approve or disapprove the proposed conflict of interest transaction utilizing the procedures and standards set forth in Section 2 of this Policy.

2. **Procedures for Addressing the Conflict of Interest Transaction:**

   (a) An interested person may make a presentation at the Board or committee meeting at which the conflict of interest transaction will be considered. After such
presentation, however, the interested person shall leave the meeting during the discussion of and vote on, the transaction or arrangement involving the potential conflict of interest.

(b) The Board or committee, if appropriate, shall appoint a disinterested person or committee to consider alternatives to the proposed transaction or arrangement and other market data reflecting the terms on which comparable transactions are conducted on an arm’s length basis.

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

(d) If a more advantageous transaction or arrangement is not reasonably possible, the Board or committee shall determine by majority vote of the disinterested directors whether the transaction or arrangement is in PCF’s best interest, for PCF’s own benefit and fair and reasonable as to PCF. If the transaction or arrangement satisfies each of these criteria, the Board or committee may approve the transaction.

(e) A committee, as opposed to the whole Board, shall not act to approve a conflict of interest transaction unless under the circumstances the transaction is one which may be approved by a committee in accordance with the applicable provisions of the California Corporations Code.

3. Violations of Conflict of Interest Policy: If the Board has reasonable cause to believe that a person subject to this Policy has failed to disclose an actual or possible conflict of interest, it shall afford the purportedly non-compliant person with notice and opportunity to explain the alleged failure to disclose. If, after hearing the person’s response, and after making such further investigation as is warranted by the circumstances, the Board or committee determines that the person has failed to disclose a possible conflict of interest, it shall take appropriate corrective action.

Article IV
Record Keeping

The minutes of the Board or any relevant committee shall contain:

(a) The names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest transaction and the nature of the financial interest.

(b) The names of the persons who were present for and votes related to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, a record of any data with respect to comparable arm’s length transactions considered, and a record of any votes taken in connection with the proceedings.
Article V
Annual Statement

Each director, principal officer or member of a committee with governing board
delegated powers shall sign a statement which affirms such person:

(a) Has received a copy of this Policy;
(b) Has read and understands the Policy;
(c) Has agreed to comply with the Policy;
(d) Understands that PCF is charitable and in order to maintain it federal tax
exemption must engage primarily in activities which accomplish one or more of its
exempt purposes; and
(e) Has provided PCF with all requested information required for PCF to prepare
its tax and other annual reports filed with applicable governmental authorities.

Article VII
Periodic Reviews

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

(a) Whether compensation arrangements and benefits are reasonable, based on
competent survey information and the result of arm’s length bargaining (with respect to
the Chief Executive Officer, President, Chief Financial Officer and Treasurer of PCF this
review shall be conducted no less frequently than annually); and
(b) Whether partnerships, joint ventures and arrangements with management or
consulting organizations conform to PCF’s written policies, are properly recorded, reflect
reasonable investment or payment for goods and services, further charitable purposes and
do not result in inurement, impermissible private benefit or in an excess benefit
transaction.

Article VIII
Outside Experts

When conducting annual reviews or reviews of potential conflict of interest
transactions, the Board or responsible committee may, but need not, use outside experts.
If outside experts are used, their use shall not relieve the Board of its responsibility for
ensuring that periodic reviews are conducted.