

BRONSON HEALTHCARE GROUP

Corporate Governance Policy

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PURPOSES:

1. To provide the framework within which the officers and members of the Board of Directors of the Corporation will be guided in the execution of their fiduciary duties on behalf of the Corporation.
2. To help assure awareness by the officers and members of the Board of Directors of their basic fiduciary duties under state law, of the charitable mission of the Corporation, and of the terms and conditions of the federal tax exemption granted the Corporation.
3. To help assure that the actions, decisions and conduct of the officers and members of the Board of Directors of the Corporation are at all times consistent with their duties and obligations, and with the charitable mission of the Corporation.

POLICY:

1. Mission. The charitable mission of the Corporation is in part reaffirmed in this Policy as:
 - To establish, maintain, operate and support either directly, through subsidiary organizations, or in cooperation with other organizations, such facilities and services providing health care for sick, injured, disabled, or aged persons and providing for the preservation of health as the Board of Directors may determine from time to time to be appropriate, including, without limitation, hospitals, ambulatory care facilities, nursing care facilities, and agencies or facilities providing care for persons in their home.
 - To establish, maintain, operate and support activities, services and facilities designed to advance or support provision of health care services, including, without limitation, programs, involving research, preventive health activities, and health-related education.
 - To engage in, promote or support any activity designed to promote the general health or welfare of the communities served by the corporation.
2. The Directors' Role. The Directors are those persons responsible for the operation of the Corporation; all corporate authority and affairs are to be managed by or under the direction of the Board of Directors. The Directors are not obligated to manage the day-to-day affairs of the Corporation and may delegate

that function to others, but must exercise reasonable and prudent oversight with respect to corporate officers, agents and employees to whom such affairs are delegated. In the performance of their duties, members of the Board of Directors may act in reliance on information and reports received from senior management as well as professional advisors and consultants whom the Board of Directors regard as reliable and competent with respect to the subject matter at issue.

3. Governance Commitment. The Board of Directors, on behalf of the beneficiaries of the charitable mission of the Corporation, will govern the Corporation with a strategic perspective through a continuously improving commitment to the vision and values set forth in that charitable mission.
4. Core Fiduciary Duties. The Board of Directors will effect its prescribed role and commitment in a manner consistent with all relevant law, and with the following core fiduciary duties:
 - a. Duty of Care. Each Director is obligated to exercise the proper level of care in the decision-making process, by acting (a) in "good faith" (*i.e.*, in the absence of any personal benefit or self-dealing); (b) with that level of care that an ordinary prudent person would exercise in like circumstances (*e.g.*, the obligations to be informed and to exercise reasonable inquiry); and (c) in a manner the Director reasonably believes is in the best interests of the Corporation.
 - b. Duty of Loyalty. Each Director is obligated to exercise his/her obligations and powers in the best interests of the Corporation and its charitable mission, not in his/her own interest or in the interest of another entity (regardless of charitable in nature) or person. Each Director is obligated to affirmatively protect the interests of the Corporation, and to refrain from doing anything that would deprive it of profit or advantage which the Director's skill or ability might bring to it, or enable it to make in the reasonable and lawful exercise of its powers. Each Director is obligated to exercise an undivided and unselfish loyalty to the Corporation and in doing so not to allow any conflict between duty and self-interest.
 - c. Obedience to Purpose. Each Director is charged with the obligation to further the charitable mission of the Corporation as set forth in its Articles of Incorporation, to be faithful to its articulated purposes and goals, and to act in conformity with all laws affecting the Corporation.
5. Manner of Governing. The Board of Directors will exercise its governance obligations in a manner that emphasizes: external vision rather than an internal preoccupation; encouragement of diversity in viewpoints; strategic leadership as well as administrative detail; clear distinction of Board and management roles; collective and not individual decisions; future rather than past; and proactivity rather than reactivity. More specifically, the Board will:

- a. Operate in all ways mindful of its legal obligation to administer and govern the Corporation solely in the interest of the persons intended to benefit from the purposes expressed in the Articles of Incorporation. It will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling this commitment.
- b. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policymaking principles, respect of roles, preparedness, and ensuring the continuity of governance capability. Discipline will also apply to ensuring that the Board or individual Directors will never be engaged in the day-to-day management of the Corporation, which is the responsibility of the senior management of the Corporation. Continual redevelopment will include annual education of members in the Board's governance process and periodic Board discussion of process development.
- c. Direct, control and inspire the Corporation through the careful establishment of organizational policies reflecting the Corporation's mission, values, and perspectives. A major focus will be on the Board of Directors' strategic planning and the intended outcomes and potential impacts of these plans, as well as on the administrative means of executing these plans.
- d. Cultivate a sense of group responsibility. The Board of Directors, not the staff, will be responsible for excellence in governing. The Board of Directors will be an initiator of policy, not merely a reactor to staff initiatives. The Board of Directors will use the expertise of individual members to enhance the ability of the Board of Directors as a body, rather than to substitute their individual judgments for the Board's values.
- e. Monitor and discuss the Board's process and performance at least annually.
- f. Conduct itself in a manner which complies with all relevant laws and regulations. The Board of Directors will fulfill all of its legal and fiduciary responsibilities as required by state and federal statutes and regulations, and the Articles of Incorporation and Bylaws of the Corporation, as interpreted on its behalf by General Counsel of the Corporation or such outside counsel as may be retained to advise the Corporation.
- g. Keep adequately informed about relevant issues and developments affecting its charitable mission.

6. Board of Directors' Duties. In addition to the core duties set forth above, and in accordance with standards of state corporate law applicable to the directors of charitable, non-profit corporations, the Directors collectively shall perform and fulfill the following acts and duties in view of the manner in which persons of ordinary prudence, diligence, discretion, and judgment would act in the management of their own affairs. The Directors shall:

- a. Establish the policies, goals, and objectives of the Corporation consistent with the mission. The policies shall be established to ensure that the Directors' fiduciary obligations are met.
- b. Oversee the implementation of the Corporation's policies and procedures and take all steps necessary to ensure that the Corporation is being managed in a manner consistent with its mission, and that its assets are being managed prudently and only for the Corporation's exclusively charitable purposes. All functions and decisions shall be measured against the charitable mission.
- c. Establish substantive strategic policies affecting the administration of the Corporation such as its healthcare and financial objectives and other major plans and actions.
- d. Oversee the management of the Corporation's finances, including reviewing and approving annual budgets and financial statements, periodically reviewing financial projections, and establishing and implementing fiscal controls sufficient to assure that the Corporation's resources are expended only for the Corporation's purposes.
- e. Monitoring the business and financial performances of the Corporation and its material business segments and the degree of achievement of Board-approved objectives and plans.
- f. Select, regularly evaluate, fix the compensation of, and where appropriate, hire or replace the CEO of the Corporation. The specific selection, evaluation, and setting of compensation level and organization of principal executives of the Corporation is a matter that will be addressed by the CEO for approval, as applicable, to the Board, subject to applicable provisions of law. Principal executives shall currently consist of persons serving in the capacities set forth in the attached Appendix A. The titles and numbers of the principal executive positions may vary but their roles and responsibilities shall be consistent with standards of delegation of authority and responsibility incumbent upon the Board as the prudent fiduciaries of an institution requiring a diversity of demonstrated professional and managerial expertise that the Directors themselves are not expected to exercise. In so delegating, the Directors must exercise

reasonable care, skill, and caution in selecting the CEO; establishing the scope and terms of CEO's duties; and periodically reviewing CEO's actions in order to monitor his/her performance and compliance with Board directives.

- g. Set limits on the means with which the CEO and Corporation staff operate by establishing principles of prudence and ethics, forming the parameters for all management and staff practices, activities, circumstances, and methods.
 - h. Monitor Board directives to the CEO and professional consultants retained by the Board to ensure implementation in accordance with such directives.
 - i. Hold the CEO and senior leadership team accountable for ensuring compliance with applicable federal and state laws and regulations and court orders regarding the administration of the Corporation, and for minimizing exposure to legal action.
 - j. Preserve the tax-exempt status of the Corporation by ensuring that the senior management staff at all times is cognizant of and demonstrates continuing sensitivity to the requirements that (i) the conduct of the Corporation and its affiliated tax-exempt entities and organizations must always be consistent with their IRC 501(c)(3) status; and (ii) that all activities of all taxable subsidiaries and affiliates of the Corporation must not jeopardize the tax-exempt status of the exempt entities.
 - k. Represent the class of persons intended to benefit from the purposes set forth in the "Purposes" statement in the Articles of Incorporation of the Corporation, in determining and demanding appropriate organizational performance.
 - l. The Directors will not have day-to-day responsibility for the management of the Corporation.
7. Chairperson's Role. The Chairperson will be selected by the Board of Directors by majority vote. The Chairperson's primary role is the integrity of the Board's process and, secondarily, occasional representation of the Board to outside parties. The Chairperson is generally the Director authorized to speak for the Board (beyond simply reporting Board decisions).

The job of the Chairperson is to ensure the Board behaves consistently with its own policies and rules.

- a. Board discussions will only be those issues which, according to Board policy, clearly belong to the Board to decide. The CEO will develop the agenda for each Board meeting.

- b. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly and kept to the point.
 - c. The Board will offer the opportunity for input from individual employees or staff groups, including subsidiaries and affiliated organizations, which have expertise and interests specifically related to Board decisions and Board policies.
 - d. The authority of the Chairperson consists of making decisions that fall within the topics covered by Board policies on governance process and the relationship between the Board and CEO except where the Board specifically delegates portions of this authority to others. The Chairperson is authorized to use any reasonable interpretation of the provision in these policies.
 - e. The Chairperson is empowered to chair Board meetings with the commonly accepted power of that position (*e.g.*, ruling, recognizing).
 - f. The Chairperson, being an individual Director, has no authority to make decisions about policies. The Chairperson may meet individually with the CEO to discuss progress or issues of interest to the Board. The CEO will keep other Directors informed of significant issues discussed during these meetings.
 - g. The Chairperson may represent the Board to outside parties in announcing Board-stated positions and in stating Chair decisions and interpretations within the area delegated to him or her.
8. Board Committee Principles. Notwithstanding the basic obligations of the Directors as set forth in this Policy, it is an appropriate exercise of the Board's fiduciary duty to delegate responsibility for certain matters to committees designated by the Board of Directors for such purposes:
- a. In establishing a committee, a distinction should be drawn between committees that exercise Board-designated functions and those that do not.
 - b. Committees of the Board of Directors shall take one of three forms:
 - *Standing Committees*, a permanent committee created to assemble information and make recommendations concerning a specific corporate activity (*e.g.*, Finance, Audit, and Joint Conference Committees).

- *Executive Committee*, a committee entitled to exercise most of the power which the Board of Directors would otherwise be entitled to exercise, and which is formed and operates consistent with bylaw and statutory direction; or
 - *Special Committee*, a committee formed to perform a specific or limited function, which may itself have limited Board-designated powers or which may be advisory in nature.
- c. The composition of a particular committee will depend in part on the specific role or focus of the committee, and on statutory provisions that may mandate a specific number (usually a minimum) of Directors/members serving on the committee.
- d. Under no circumstances shall any committee be authorized to take any of the following actions:
- Authorize corporate distributions;
 - Approve dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the Corporation's assets;
 - Elect, appoint, or remove Directors to fill vacancies on the Board or any of its committees;
 - Fix the compensation of any committee member;
 - Adopt, amend or repeal the bylaws or the Articles of Incorporation; or
 - Take action inconsistent with any resolution or action of the Board that provides that it may not be changed by action of a committee.
- e. Board committees are to assist the Board of Directors in the performance of its duties, not to help the staff perform its duties. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. Board committees are not to be created by the Board to advise staff.
- f. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the CEO.
- g. Board committees cannot exercise authority over staff. Because the CEO works for the full Board, he or she will not be required to obtain approval of a Board committee before taking an executive action. In keeping with

the Board's broader focus, Board committees will not normally have direct dealings with current staff operations although Board committees may include staff members.

9. Board Committee Structure. A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Directors sit on the committee. The only Board committees are those which are set forth in the bylaws of the Corporation or as established by resolution of the Board.