

## **SWEET MEDICAL CENTER POLICY & PROCEDURES MANUAL**

### **FINANCIAL**

#### **Board Review of Executive Compensation**

In compliance with Internal Revenue Service guidelines for approval of senior management compensation, the Board of Directors of Sweet Medical Center, Inc. will follow the following review and approval guidelines.

Individuals Subject to this Policy (defined as “Covered Individuals”):

- **Chief Executive Officer:** The individual who has the ultimate responsibility for implementing the decisions of Sweet Medical Center, Inc. governing body or for supervising the management, administration, or operations of Sweet Medical Center, Inc.
- **Officers:** Persons elected or appointed to manage Sweet Medical Center, Inc.’s daily operations, such as a president, vice-president, secretary, or treasurer.
- **Key Employees:** Individuals who are not a CEO but who meet all of the following criteria:
  1. \$150,000 Threshold. The individual receives reportable compensation on Form W-2, Box 1 or Box 5 from Sweet Medical Center, Inc. and all related organizations in excess of \$150,000 for the calendar year ending with or within Sweet Medical Center, Inc.’s tax year;
  2. Responsibility Criteria: The individual:
    - Has responsibilities, power, or influence over Sweet Medical Center, Inc. as a whole that is similar to those of officers, directors, or trustee;
    - Manages a discrete segment or activity of Sweet Medical Center, Inc. that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or
    - Has or shares authority to control or determine 10% or more of Sweet Medical Center, Inc.’s capital expenditures, operating budget, or compensation for employees.
  3. Top 20 Limitation. In addition to meeting the \$150,000 threshold and the Responsibility Criteria, the individual is one of the top 20 most highly compensated employees for the calendar year ending with or within Sweet Medical Center, Inc. calendar year.

#### Procedure for Approving Compensation

In reviewing and approving the compensation of any Covered Individuals, the Sweet Medical Center, Inc. Board of Directors will utilize the following process:

1. **Impartial Decision Makers:** The compensation arrangement must be approved in advance (before any payment is made) by the Board of Directors of Sweet Medical Center, Inc. composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement (example: neither the executive whose compensation is being determined nor any of his/her family members may be present during the discussion/debate or participate in the vote).
2. **Comparability Data.** When the Board of Directors is considering compensation to Covered Individuals, it must rely on comparability data that demonstrate the fair market value of the compensation in question. For example, when crafting compensation packages, the Board of Directors must secure data that documents compensation levels for similarly qualified individuals in like positions at like organizations. This data may include the following:
  - a. Expert compensation studies by independent firms;
  - b. Written job offers for positions at similar organizations;
  - c. Documented telephone calls about similar positions at both nonprofit and for-profit organizations; or
  - d. Information obtained from the IRS Form 990 filings of similar organizations.
3. **Concurrent Documentation.** The Board of Directors must document how it reached its decisions, including the data on which it relied. To qualify as concurrent documentation, written or electronic records of the Board of Directors (such as meeting minutes) must note:
  - a. The terms of the compensation and the date it was approved;
  - b. The members of the Board of Directors who were present during the debate on the compensation that was approved and those who voted on it;
  - c. The comparability data obtained and relied upon and how the data were obtained; and
  - d. Any actions taken with respect to consideration of the compensation by anyone who is otherwise a member of the Board of Directors but who had a conflict of interest with respect to the decision on the compensation.

Approved: \_\_\_\_\_  
(Date)

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Chair, Board of Directors