

Adopted April 2008, rev. November 2010, June 2015

## **BAY STATE COLLEGE, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

#### **Introduction**

The Board of Trustees of Bay State College, Inc. ("Bay State") has adopted the following Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of Bay State and its Stakeholders. The Guidelines are intended to be applied in a manner consistent with applicable laws, the rules and regulations of any oversight body under which Bay State is operating and Bay State's Articles of Organization and By-laws, each as amended and in effect from time to time. The Guidelines are a flexible framework for the conduct of the Board's business and are not intended as a set of legally binding obligations. The Board may interpret, modify or make exceptions to the Guidelines from time to time in its sole discretion and consistent with its duties and responsibilities to Bay State and its Stakeholders.

#### **Background**

Bay State College, Inc. is a for-profit company organized under the laws of the Commonwealth of Massachusetts.

Bay State is a private college and its common stock is wholly owned by Bay State Education Corporation ("BSEC" or the "Parent Company").

The Massachusetts Department of Higher Education is the primary state agency responsible for regulating and licensing Bay State ("the College") and its ability to grant degrees. Bay State is also subject voluntarily to oversight and certain standards of the Commission on Institutions of Higher Education of the New England Association of Schools and College ("NEASC").

Bay State maintains a website at [www.baystate.edu](http://www.baystate.edu) containing information about our corporate governance, including printable versions of our Board Committee Charters, these Guidelines and our Code of Ethics.

#### **Role of the Board of Trustees**

Bay State's Trustees, in their role of overseeing the sound management of the College, have the responsibility to exercise their business judgment in what they believe to be the best interests of the College and all Stakeholders, taking into account the interests of the employees, the students and the community at large, and in so doing to enhance the institutional effectiveness of the College.

The governing board of the institution shall have final responsibility for and control over the management of the institution. The board shall organize and govern itself in accordance with a set of bylaws. The bylaws shall provide specific regulation of membership, term of office, responsibilities, definitions of conflict of interest, and provisions concerning prohibitions or limitations on financial dealings between trustees and the institution.

#### **Committees**

The Board at all times shall have a Nominating and Corporate Governance Committee, a Finance & Long-Range Planning Committee and an Academics and Student Affairs Committee. All of the voting members of these committees will be considered to be Trustees. Committee

Chairs will be appointed annually by the Board with consideration of the desires of individual Trustees.

The Trustees may, by vote by a majority of the Trustees then in office, elect other committees and delegate to any such committee or committees some or all of the powers of the Trustees except those which by law, the articles of organization or bylaws, they are prohibited from delegating.

Each committee will have its own charter. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

### **Board Responsibilities and Functions**

The Board of Trustees holds regularly scheduled meetings throughout the year during which the Board and management participate in discussions of a number of issues, including but not limited to the College's performance, long-range plans and objectives, admissions and retention efforts, institutional effectiveness, mission statement review, and placement.

The Board, acting as a full Board or through its committees, also attends to specific functions, including:

- Having final responsibility and control over the management of the institution;
- Appointing the chief executive officer of the institution, evaluating the performance and compensation of the CEO and overseeing CEO succession planning;
- Providing direction for the institution in terms of general policies, purposes, and objectives;
- Overseeing the business and financial strategies of the College, evaluating, providing counsel on and authorizing major corporate actions and monitoring risk management;
- Promoting honest and ethical conduct, integrity, fair public disclosure, and avoidance of conflicts of interest per Section 11 of the Bylaws;
- Overseeing the College's Academic and assessment programs in conjunction with appropriate faculty governance and independence;
- Approving budgets, tuition pricing and discounting, the audited financial and compliance statements, and the College's program for legal and regulatory compliance;
- Providing guidance and input on the strategic and long range planning of the College, and
- Any other duties or functions consistent with the Board's final responsibility for the management of the institution as it may see fit.

### **Trustee Qualifications and Selection Process**

The Chief Executive Officer of the Parent Company will appoint the Trustees as mandated by Massachusetts General Laws 610 CMR 2:07(4)(a) provided that each such Trustee shall have been recommended by the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board the requisite skills and characteristics of new Board members, as well as the composition and size of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, skills, and experience in the context of the needs of the Board. The education and experience of potential trustees will be taken into

consideration in order to ensure educational programs of quality consistent with the College's stated objectives and mission.

Candidates for Trusteeship will be proposed to the CEO of the Parent Company who may appoint the new Trustee.

The CEO of the Parent Company and all Board members may also recommend nominees to fill newly created Trusteeships resulting from an increase in the Board or vacancies resulting from death, resignation or disqualification of a Trustee. Such nominations will be reviewed by the Nominating and Corporate Governance Committee and recommended to the CEO for appointment provided that such nominations are accompanied by relevant biographical information and submitted to the Chair of the Nominating and Corporate Governance Committee.

### **Term Limits**

Each Trustee will be elected for a term of three years but any Trustee who has served nine consecutive years shall not be eligible to serve for one year.

### **Trustee Independence**

Fewer than one-half of the Board members may have any financial interest in the institution including as employee or stockholder. The Board will have a majority of Trustees who meet the criteria for independence required by the Massachusetts Department of Higher Education and New England Association of Schools & Colleges' standards. The Board has adopted the following guidelines to assist it in determining Trustee independence in accordance with the NEASC standards. To be considered independent, a candidate must be found by the Nominating and Corporate Governance Committee to have no direct or indirect financial interest in the College.

In direct or indirect matters that involve Trustees, any member considered not to be independent will not be present during any vote involving any relationship or transaction with the College and leave the room during the voting period. The fairness of any agreement between the College and a trustee or an entity controlled by a Trustee, such as, for example, a lease to the College of properties owned by a Trustee, will periodically be independently appraised in all material aspects. Such appraisal may be conducted by one or more independent Trustees or by a third party. The results of the fairness appraisal will be shared with all independent members of the Board for their review prior to any voting or approval on the transaction.

Annually, as provided in the bylaws, Board members will disclose any relationship with the college that would cause the Trustee not to be independent or could be seen as a potential conflict of interest.

Current Trustees are required to advise the chair of the Nominating and Corporate Governance Committee in advance of entering into a relationship with the College whereby the possibility of a conflict of interest could occur to ensure the Trustee remains independent under the Guidelines. Service on boards and/or committees of other organizations shall comply with the College's conflict of interest policies per the bylaws.

### **Setting the Board Agenda**

The Chairman in concert with the CEO will establish the agenda for each Board meeting. At the beginning of the year the Chairman in concert with the CEO will establish a schedule of agenda subjects to be discussed during the year to the degree this can be foreseen. Each Board member is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting. Information and data that are

important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed to the Trustees before the meeting. Board members are expected to dedicate the time and resources sufficient to ensure the diligent performance of their duties, including advance review of meeting materials for each Board or committee meeting attended and attending all Board meetings and committee meetings of which the individual is a member except when prevented by good cause.

### **Meetings of Independent Trustees; Role of Chairman**

At least once a year, an executive session of only independent Trustees shall meet.

The independent Trustees shall annually, at the first executive session following the annual meeting of Shareholders, elect an independent Trustee to be the Chairman for the year. At no time shall the CEO of The College be the Chairman of the Board of Trustees. There shall be no limit on the number of terms that one individual may serve as Chairman. The Chairman shall serve as a liaison between the Board and the independent Trustees; preside at all meetings of the Board, including at executive sessions of independent Trustees; establish the agenda for the executive sessions; receive communications from interested parties regarding concerns about Bay State and otherwise be available, where appropriate, for direct communications with Stakeholders; and perform such other functions as may be designated from time to time by the Trustees.

The Chairman is authorized to call meetings of the non-management or independent Trustees and shall have the authority from time to time to designate an independent Board member to act on behalf of the Chairman if absent from the meeting or otherwise unable to perform his or her responsibilities. The name of the then-current Chairman will be disclosed on the College's website.

Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the College. However, it is expected that Board members would do this, absent unusual circumstances or as contemplated by the committee charters, with the knowledge of management.

### **Trustee Access to Officers and Employees; Funding**

Trustees have full and free access to officers and employees of the College. Any meetings or contacts that a Trustee wishes to initiate may be arranged through the CEO or directly by the Trustee. The Trustees will use their judgment to ensure that any such contact is not disruptive to the business operations of the College and will, if appropriate, copy the CEO on any written communications between a Trustee and an officer or employee of the College.

The Board welcomes attendance at each Board meeting of senior management as may be invited by the CEO of the College. The Board may request at their will the attendance of one or more management or non-management employees through the CEO.

The Board, the Finance & Long-Range Planning Committee, and each other committee as specifically provided by its charter or by the Board, have the power to independently retain outside legal, financial, accounting (consistent with any applicable committee policies) or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the College in advance. The College will provide appropriate funding, as determined by the Board or applicable committee, for the payment of (i) compensation of any such outside advisors, and (ii) ordinary administrative expenses of the Board and its committees necessary or appropriate in carrying out its duties.

### **Trustee Compensation**

The form and amount of Trustee compensation will be recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter, and the Committee will conduct an annual review of Trustee compensation. The Committee will consider that Trustees' independence may be jeopardized if Trustee compensation exceeds customary levels or enters into contracts with or provides other indirect forms of compensation to a Trustee. Trustees with direct financial interests in the College who are deemed not to be independent shall not be compensated for their work as Trustee. This excludes immaterial vendor relationships like legal counsel or other professional services so long as the Trustee does not have a financial interest in the ownership of the College.

### **Reporting of Concerns (posted on BSC policies)**

The Trustees value ethical conduct amongst all members of the community and strive to operate with the utmost integrity. Anyone who has a concern about Bay State or its conduct, including concerns about the College's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Chairman. Such communications may be confidential or anonymous, and may be e-mailed, or reported by phone to a dedicated telephone number (617-217-9898) that will be forwarded directly to the Chairman or another independent Trustee.

The Chairman may, in his or her discretion, provide for handling of time-sensitive or emergency concerns, forward to the Finance & Long-Range Planning Committee or to another appropriate group or department any concern for their review, and will report to the Trustees as a group on a quarterly basis regarding concerns received during the preceding quarter. The Chairman, the independent Trustees, or the Finance & Long-Range Planning Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them.

### **Code of Ethics for Trustees**

Building upon Bay State's long-standing Code of Ethics for the Executive Team, the Board has adopted a Conflicts of Interest policy per Section 11 of the Bylaws and amended the Code of Ethics to include all Trustees in order to support honest and ethical conduct of Trustees. The Board expects that Trustees, officers and employees will adhere to the code of ethics applicable to them and act ethically and with honesty and integrity at all times.

### **Trustee Orientation and Continuing Education**

All new Trustees are required to participate in Bay State's Trustee Orientation Program, which will include presentations by senior management to familiarize Trustees with the College's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics, its principal officers, and its internal and independent auditors.

### **CEO Appointment**

The Board of Trustees shall appoint the CEO of the institution subject to the approval of the chief executive officer of the Parent Corporation. When a vacancy occurs whether through death or termination, the Nominating and Corporate Governance Committee will be responsible for gathering the input of all Trustees and defining the requisite skills and characteristics necessary for a CEO to properly further the mission of the College and enhance institutional effectiveness compatible with the Board's intentions. The Committee will accept nominations from all Trustees but ultimately be responsible for making a hiring recommendation to the

Board. All Board members will have the opportunity to evaluate candidates and Trustees may vote on the appointment so long as no conflict of interest or related persons are involved. In the case when a person who is related to a Trustee (a "Related Trustee") is nominated for appointment, only independent Trustees with no relation to the candidate ("Unrelated Trustees") will vote on that appointment and do so in the absence of the Related Trustees.

### **CEO Evaluation, CEO Compensation**

The Chairman will conduct an annual evaluation of the CEO's performance, and will report his or her evaluation to the other Trustees. The Trustees will review the Chairman's evaluation report with regard to the CEO's leadership of the College in the long and short term. The Chairman and other Trustees will make a determination annually about the performance and retention of the CEO.

The Finance & Long-Range Planning Committee shall annually determine the CEO's compensation level, based in part upon this evaluation report. In determining all components of the CEO's compensation, the Finance & Long-Range Planning Committee, acting with the other independent Trustees, shall consider the College's performance and institutional effectiveness, the value of similar compensation to CEOs at comparable colleges or companies, and the awards given to the College's CEO in past years.

### **Management Succession**

As provided in its charter, the Nominating and Corporate Governance Committee will periodically report to the Board on succession planning. The Board will work with the committee, as specified, to evaluate potential successors to the CEO, including in the event of an emergency. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

### **Annual Performance Evaluation**

The Board of Trustees will conduct an annual self-evaluation to assess whether it and its committees are functioning effectively. The Nominating and Governance Committee will receive comments from all Trustees, and will report annually to the Board with an assessment of the Board's performance. This report will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the College. The Nominating and Corporate Governance Committee will assess annually whether each of the Finance & Long-Range Planning Committee, Academics and Student Affairs Committee, and Nominating and Corporate Governance Committee has a functioning self-evaluation process, and will report its assessment to the Board of Trustees.

### **Policy Regarding Trustee Ratification of Registered Public Accounting Firm**

The College CEO will submit management's selection of a registered public accounting firm for Finance & Long-Range Planning Committee review and the Finance & Long-Range Planning Committee will submit their selection for Trustee ratification at each year's annual meeting.