



ESSENT HEALTHCARE, INC.

Section: Corporate Compliance	Effective Date: 02/28/06
Subject: Political Action Committee	Revision Date: 02/28/06
Policy #: CC-32	Review Date: 03/25/08
Responsible Party: Corporate Compliance Officer	Revision #: 1

Scope:

This policy applies to all entities and all employees of Essent Healthcare, Inc.

Purpose:

The purpose of this policy is to establish guidelines for the operation of a Political Action Committee (PAC).

Policy:

Essent encourages participation in the political process by its employees. It is the policy of Essent that any and all corporate political activity must occur via Essent's Political Action Committee (PAC). Essent encourages all employees at the Director level or above ("restricted employees") to participate in and support Essent's Political Action Committee "ESSENT-PAC". Participation in the PAC is strictly voluntary. All employees have the right to refuse to participate without fear of reprisal.

Introduction

As a leader within Essent Healthcare, you represent Essent in the communities we serve. In many cases, you may be expected by the community and its leaders to provide political contributions and support to particular candidates. As a company, we recognize the importance of maintaining strong and appropriate relationships with our local, state and federal elected representatives. It is important that we have an overall consistent policy for managing political issues to protect the company and your facility from harm.

Essent has established a corporate political action committee (C-PAC), which will oversee the corporate PAC as well as any activities directly related to political giving at Essent facilities. One value of C-PAC is that it will provide local Essent leadership the ability to distance themselves from local political requests as appropriate.

The following are broad guidelines under which Essent will conduct its political activities. **This is not an exclusive set of guidelines**, however. If you have any questions about managing a specific political issue, opportunity or request, please contact Charles Fletcher at (615) 312-5131, or via email at charles.fletcher@essenthealthcare.com.



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Regulatory Requirements

The Federal Election Campaign Act prohibits corporations from using their general treasury funds make contributions and/or expenditures in connections with federal elections. However, the Act permits corporations to set up political committees which may make contributions to and expenditures on behalf of federal candidates and other committees. Federal election law refers to a corporate political committee as a “*Separate Segregation Fund (SSF)*” also known and more commonly referred to as a *Political Action Committees (PAC)*.

- A corporation that sponsors a PAC is called the ***connected organization***. The connected organization may use its general treasury funds to pay for the costs of operating and raising money for the PAC (pay for office space, phones, salaries, utilities, supplies, and fundraising activities); but it may not contribute directly to the PAC.
- All PACs must register with the Federal Election Commission (FEC), regardless of the size of the fund, within 10 days of the date of its establishment (if the committee expects to raise or spend more than \$50,000 in a calendar year it must file electronically). The treasurer is responsible for registering with the FEC.
- A PAC may receive up to \$5,000 per year from any one contributor – a husband and wife each have separate \$5,000 limits even if only one has income.
- Each PAC must have a ***treasurer*** before it accepts contributions or makes expenditures. It is recommended that an assistant treasurer also be appointed in the event that the Treasurer is unavailable. The PAC may not accept contributions or make expenditures when the treasurer’s office is vacant. Treasurers are personally responsible for carrying out the duties listed below. When the FEC brings an enforcement action against a PAC, the treasurer is usually named as a respondent along with the PAC itself. The Treasurer for Essent-PAC is Charles Fletcher who must:
 - File complete and accurate reports on time
 - Sign all reports and statements
 - Deposit all receipts into designated bank within 10 days
 - Authorize expenditures or appoint an agent to authorize expenditures
 - Monitor contribution limits and ensure compliance
 - Keep required records of receipts and disbursements



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- Essent’s PACs must also formally identify a *custodian of records* who is responsible for keeping records and accounts of financial activities and retain them for three years. The Custodian of Records for Essent-PAC is Charles Fletcher.
- The official name of the PAC must include the full name of the connected organization. The name of Essent’s PAC is “*Essent Healthcare, Inc Political Action Committee*” or “*Essent-PAC*” for short.
- A PAC may incorporate for liability purposes – PACs that incorporate only for liability purposes may make lawful contributions and expenditures.
- A **contribution** is anything of value given to influence a federal election including gifts of money; gifts of goods and services; loans and guarantees or endorsement of loans.
 - Contributions in excess of \$100 must be made by check (or other written instrument).
 - The entire amount paid to attend a political fundraiser or to purchase a fundraising item from a committee is a contribution. The amount of the contribution is not affected if a portion of the money was used to defray the expenses of the fundraising program.
 - PACs may receive up to \$5,000 per year from any one contributor – a husband and wife each have separate \$5,000 limits, even if only one has income.
 - Joint contributions are attributed equally to each donor unless an accompanying statement indicates that the funds should be divided differently.
 - The Treasurer of Essent-PAC treasurers must make his/her best efforts to obtain and report the name, address, occupation, and employer of each contributor who gives more than \$200 in a calendar year.
- Essent-PAC or its connected organization may suggest to a potential donor that he/she give a specific amount so long as the PAC states:
 - That the amount is only a suggestion;
 - More or less may be given, and;
 - The amount given by the individual (or the refusal to give) will not impact the individual.
- Essent-PAC and its connected organization may solicit both the **restricted class** and expanded class of persons associated with the connected organization. The general public may not be solicited. The restricted class consists of:
 - The corporation’s executive and administrative personnel;



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- Executive and administrative personnel are those individuals who are paid on a salary (rather than hourly) basis and who have policymaking, managerial, professional or supervisory responsibilities.
- The stockholders (or members of the board of directors who are not stockholders or employees but receive regular compensation), and;
- The families of the above two groups.
 - Individuals who participate in an employee stock ownership plan (ESOP) are solicitable as stockholders as long as the individual has: a vested beneficial interest in the stock; the power to direct how the stock will be voted (if it is voting stock); and the right to receive dividends.
- The restricted class for Essent-PAC consists of all Corporate employees and their family members, Board members and their families, Hospital Operators and their families (Director and above).
- The expanded class constitutes those employees that are not considered members of the restricted class.
- **Fundraising and promotions** – The full price of a fundraising item purchased (such as a T-shirt, tickets to a fundraising event or a chance at a raffle) counts as the purchaser's contribution, even if part of the price paid is used to offset the costs of the fundraising program.
- Essent may encourage contributions to its PAC by offering to match all ~~of~~ for part of a contributor's gift with a **donation to charity**. This provision applies to both restricted and non-restricted classes of employees.
- Essent may generally use its treasury funds to pay all of the costs associated with fundraising events such as dinners, luncheons, receptions, dances and concerts subject to the "**one-third rule**". According to the "one-third rule", the PAC should reimburse its sponsoring organization for that portion of the cost of prizes or entertainment that exceeds one-third of the amount raised in contributions.
 - **Example** – Essent spends \$300 to purchase a TV set as a raffle prize. Sales of raffle tickets raise \$600 in contributions. Since one-third of the amount raised (\$200) is less than the cost of the prize (\$300), then the PAC should reimburse Essent for the \$100 difference.
 - On the other hand, if the PAC raises \$900 then no refund is due to Essent – one-third of \$900 is \$300 which equals the amount offered by Essent.



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- The one-third rule applies only to fundraising with promotional items, prizes and entertainment (other than food and drink).

- PACs may purchase tickets to a fundraising event held by a candidate’s committee, or they may purchase items sold for fundraising purposes by the committee. The entire amount paid for a ticket or item is considered a contribution.
 - Note – travel expenses incurred by a PAC representative to attend a fundraising event for another political committee are administrative expenses that can be paid by the connected organization.

- PACs may make contributions to candidates and their campaign committees subject to the following limits (limits are for calendar year 2006):

<u>Donation Limits (from PAC)</u>	<u>Multi-Candidate</u>	<u>Non Multi-Candidate</u>	<u>Term</u>
Candidate Committee	\$ 5,000	\$ 2,000	per election
PAC	\$ 5,000	\$ 5,000	per year
State & Local Committee	\$ 5,000	\$ 10,000	per year, combined limit
National Committee	\$ 15,000	\$ 25,000	per year

- **Recordkeeping** is the responsibility of the Treasurer. A photocopy of each statement, disclosure report, and/or notice filed with the FEC, along with original back-up records, must be retained for at least three years after the information is filed. The PAC must make these records available to the FEC upon request.



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- Once the Treasurer receives a contribution he/she must either deposit or return it within 10 days. For each contribution in excess of \$200, the treasurer must document:
 - The amount
 - Date of receipt
 - Donors name and address
 - Donors occupation and employer
 - Donations between \$50 and \$200 do not require documentation of occupation and employer. Donations of less than \$50 can be recorded in one of two ways:
 - Keep the same documentation as is required for contributions between \$50 and \$200, or;
 - In the case of small contributions collected at fundraising events (such as gate receipts, cash contributions, etc.) keep a record of the name of the event, the date and the total amount of contributions received on each day of the event.

- Essent-PACs must also record the full nature and scope of: transfers from affiliated PACs; bank loans; interest and dividends received on invested committee funds; repayments of loans made by the PAC.

- All disbursements (except those made from petty cash funds) must be made by check or similar draft drawn on an account maintained at the committee's designated depository.
 - A written record of petty cash disbursements must be maintained if a petty cash fund is maintained. Petty cash disbursements may not exceed \$100.
 - All disbursements must be identified by:
 - Date
 - Amount of payment
 - Name and address of payee
 - Purpose of the disbursement
 - For each disbursement over \$200 the PAC must keep a receipt, invoice or canceled check in addition to the information listed above.



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- Essent-PAC will recognize the following committees:
 - **PAC Oversight Committee** – Oversight of the PAC
 - Hud Connery (Chairman – 2 votes)
 - Charles Fletcher (Treasurer – 1 vote)
 - John Fick (Assistant Treasurer – 1 vote)
 - Mike Browder (Committee Advisor - 1 vote)
 - **Education Committee** – To educate Essent employees about the purpose and existence of the PAC. The education committee shall be comprised of the following individuals:
 - Charles Fletcher
 - John Fick
 - Mike Browder
 - **Fundraising Committee** – To plan, approve and carry-out fundraising activities. The fundraising committee shall include the following individuals:
 - Charles Fletcher
 - John Fick
 - Mike Browder
 - **Disbursements Committee** – To plan, approve, and make disbursements to candidates and/or their committees. The disbursements committee shall include the following individuals:
 - Charles Fletcher
 - John Fick
 - Mike Browder



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Corporate Procedures

Corporate Political Giving

- 1.) The Essent corporate political action committee (ESSENT-PAC) will review and approve all political contributions from Essent management, Essent hospitals and the Essent PAC.
 - a. ESSENT-PAC will meet regularly.
 - b. Requests for political contributions should be made 30 days in advance of when the contribution needs to be distributed.
- 2.) Non-management employees may give political contribution at their discretion. However, in no case should employee contributions be represented by the employee as a contribution from or endorsement by Essent Healthcare.
- 3.) Political contributions from Essent management must have ESSENT-PAC approval.
- 4.) Political fundraising by Essent management must have ESSENT-PAC approval.
- 5.) There will be an annual political and government relations plan for each state, renewed each year and approved by the ESSENT-PAC.
- 6.) Regular reporting of political contributions will be required.
 - a. All political contributions made by an Essent hospital or by Essent management should be reported to ESSENT-PAC within 30 days of the contribution.



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Corporate Political Activity Policies:

- 1.) Campaign promotional materials are strictly prohibited on any Essent campus.
- 2.) Active political candidates are prohibited from touring or campaigning on any Essent campus *after the filing deadline for their particular race.*
- 3.) Current office holders are allowed to visit an Essent campus for promotional or other public purposes prior to their campaign filing deadlines.
- 4.) Essent management should not encourage office holders to campaign on an Essent campus, nor should an Essent campus serve as a campaign event site or fundraising location.
- 5.) Corporate or hospital letterhead, logos and other branded materials may not be used in any local political activity, except as approved by ESSENT-PAC.
- 6.) There will be an annual political and government relations plan for each state, renewed each year and approved by the ESSENT-PAC.

Essent recognizes that unique circumstances may call for a deviation from these policies. These cases must receive approval from ESSENT-PAC.

REFERENCES

Federal Election Commission (FEC) “*Campaign Guide for Corporations*”
Bipartisan Campaign Reform Act of 2002
Consolidated appropriations Act of 2005

APPROVED

By Charles J. Fletcher at 4:51 pm, Mar 25, 2008

