



# *Code of Business Conduct Ethical Business Practice*



Greater Waterbury  
Health Network

*gwhn.org*

## A Message to Directors and Employees:

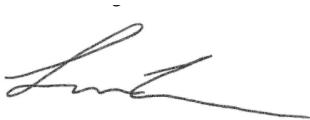
As Directors and employees of Prospect Medical Holdings, Inc and its subsidiaries (referred to in the following pages as “Company”), we are responsible for conducting the business affairs of the Company in accordance with applicable laws, in an honest manner, and with the highest professional and ethical standards.

To make certain that we understand what is expected of us, the Company and its Board of Directors have adopted the following policies.

This Code of Business Conduct / Ethical Business Practice and the incorporated corporate policies (collectively, “Code”) contain commonsense rules of conduct. We ask that you read the Code carefully and completely, because it is essential that you fully comply with these policies in the future. If you have any questions, talk them over with your manager or another member of management. Alternatively, feel free to contact the Human Resources or Legal Departments.

Please sign the acknowledgment page confirming that you have received the Code, understand it represents mandatory policies of the Company and agree to abide by it. Return the signed copy to the Human Resources Department where it will be placed in your personnel file and keep the Code for future reference.

Thank you for your attention to this important matter.



Sincerely,  
Samuel S. Lee  
Chairman and Chief Executive Officer

## Code of Business Conduct / Ethical Business Practice

Directors and employees of the Company, its subsidiaries and affiliated companies, are to conduct their business affairs in accordance with the highest ethical standards. Policies are to be applied in good faith with reasonable business judgment to enable the Company to achieve its operating and financial goals within the framework of the law. Directors and employees shall not conduct themselves in a manner that is directly or indirectly detrimental to the best interests of the Company or in a manner which would bring financial or any other gain to any Director or employee at the expense of the Company. Ethical as well as legal obligations will be fulfilled openly, promptly, and in a manner that will reflect positively on the Company's name.

Agreements, whether written or verbal, will be honored. No bribes, bonuses, kickbacks, lavish entertainment, or gifts will be exchanged for special position, price, or privilege. It is Company policy that contracts are reviewed by legal counsel. By contract, we mean each agreement, memorandum of understanding, or other document or arrangement that could reasonably be expected to impose an obligation. Please bear in mind that your conduct and/or your conversations may have, under certain circumstances, the unintended effect of creating an obligation which the Company cannot meet.

The Company requires Directors and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Directors and employees must practice honesty and integrity in every aspect of dealing with other Directors and employees, the public, the business community, stockholders, customers, members and government authorities.

Directors and employees will maintain the confidentiality of the Company's sensitive or proprietary information and will not use such information for their personal benefit or the benefit of another person or entity. Directors and employees shall refrain, both during and after their employment, from publishing any oral or written statements about the Company or any of its Directors or employees that are slanderous, libelous or defamatory. Statements disclosing private or confidential information about their business affairs or constituting an intrusion into their private lives should be avoided.

Directors and employees will comply with the stock ownership requirements set forth by the Board of Directors, which may relate to the ownership of stock in the Company's parent company or other affiliates.

The Company prohibits unlawful discrimination against Directors and employees, stockholders, members, customers or suppliers on account of race, color, religion, sex, sexual orientation, gender identity or expression, pregnancy, marital status, national origin, citizenship, veteran status, ancestry, age, physical or mental disability, medical condition, genetic predisposition, or any other consideration made unlawful by applicable laws. All persons shall be treated with dignity and respect and they shall not be interfered with in the conduct of their duties and responsibilities.

Directors and employees should not be misguided by any sense of loyalty to the Company or a desire for profitability that might cause them to disobey any applicable law or Company policy. Illegal behavior on the part of any Director or employee in the performance of Company duties will not be condoned or tolerated.

The Company is committed to evaluating the effectiveness of the Code through various efforts on an ongoing basis. Adherence to and support of the Code is a condition of employment. Violation may result in disciplinary action, which may include termination.

The Code will be distributed to new Directors and employees and be distributed again to all Directors and employees on an annual basis. Directors and employees are required to sign the acknowledgment confirming they have received the Code, read it and understand it represents mandatory policies of the Company and agree to abide by it. The Company welcomes any suggestions to help improve its business conduct.

Directors and employees can report violations of the law or the Code by calling the Ethics and Compliance Hotline at (877) 814-9252. The Hotline is open 24 hours a day, 7 days a week, and is operated by an independent company. Directors and employees may remain anonymous and translators are available.

## Antitrust & Competition

No Director or employee of the Company shall enter into any understanding, agreement, plan or scheme, express or implied, formal or informal, with any competitor to fix prices, contract terms, territories or customers. Authorized senior management of the Company must authorize any discussion with competitors in connection with a project in which the competitor is an alliance partner, joint venturer or subcontractor.

Directors and employees responsible for the conduct or practices of the Company which could in any way involve antitrust or anti-competitive activities should consult with their manager or another appropriate member of management about such matters.

There shall be no exception to this Policy, nor shall it be compromised or qualified by anyone acting for or on behalf of the Company.

## Bribery

The Company prohibits payment to suppliers or customers in the form of bribes, kickbacks or payoffs. Directors and employees are also prohibited from receiving, directly or indirectly from a third party, anything of a significant value (other than salary or other ordinary compensation paid by the Company) in connection with a transaction entered into by the Company.

The Company also prohibits Directors and employees from paying any bribe, kickback or other similar unlawful payment to, or otherwise entering into a sensitive transaction with, any public official, political party, candidate for public office or other individual, to secure any contract, concession or other favorable treatment for the Company or for personal gain. Any extraordinary payments, including extravagant entertainment or gifts of significant value (in general this means the cost will exceed \$100), for the express purpose of obtaining or retaining business or unduly influencing some matter in favor of the Company is prohibited. Directors and employees who make such agreements are subject to appropriate action by the Company, as well as the legal consequences of applicable law.

Bribes, kickbacks and payoffs include, but are not limited to: gifts other than nominal value (in general this means the cost will not exceed \$100); the uncompensated use of Company services, facilities or property; loans, or loan guarantees or other extensions of credit.

This Policy does not prohibit reasonable expenditures for meals and entertainment of suppliers and customers, which are an ordinary and customary business expense. These expenditures should be included on expense reports and approved under standard Company procedures.

## Confidential Information

In carrying out the Company's business, Directors and employees often learn confidential or proprietary information about the Company, its customers, suppliers or members. An unauthorized disclosure could be harmful to the Company or helpful to a competitor.

Therefore, no Director or employee entrusted with or otherwise knowledgeable about information of a confidential or proprietary nature shall disclose or use that information outside the Company or for personal gain, either during or after employment without the valid and proper written authorization from the Company.

The Company also works with proprietary data of suppliers, members and customers. The protection of such data is of the highest importance and must be discharged with the greatest care for the Company to merit the continued confidence of such persons. No Director or employee shall disclose or use confidential or proprietary information owned by someone other than the Company to non-employees without Company authorization, or disclose the information to others unless a need-to-know basis is established.

In general when describing or talking about the Company, it is safe to mention what we do and not how we do it or how much it costs.

## Conflicts of Interest

Directors and employees have a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises. Timely and proper disclosure of possible conflicts of interest that Directors and employees may have in connection with job duties and responsibilities is necessary to protect the best interests of the Company. Possible conflict of interest situations should be promptly and fully disclosed to the Company's senior management.

A conflict of interest may occur if outside activities, personal financial interests, or other interests influence one's ability to make objective decisions in the course of their responsibilities as a Director or employee. A conflict of interest may also exist if the demands of any outside activities hinder or distract Directors or employees from the performance of their responsibilities or cause the individual to use Company resources for other than Company business.

The Company has always been concerned with outside business interests of its Directors and employees that might possibly conflict with the interests of the Company. The Company expects and requires Directors and employees to be honest and ethical in the handling of actual or apparent conflicts of interest between personal and business relationships.

A precise definition of what constitutes a conflict of interest is difficult. There are certain situations which the Company will always consider to be a conflict of interest. These occur if any person having a close personal relationship with the Director or employee, such as, spouse, parents, children, siblings, in-laws, any person living in the same home with the Director or employee or any business associate of the Director or employee:

1. Obtains a significant financial or other beneficial interest in one of the Company's suppliers, customers or competitors without first notifying the Company and obtaining written approval from authorized senior management of the Company;

2. Engages in a significant personal business transaction involving the Company for profit or gain, without first notifying the Company and obtaining written approval from authorized senior management of the Company;
3. Accepts money, gifts, hospitality, loans, guarantees of obligations or other special treatment from any supplier, customer or competitor of the Company;
4. Participates in any sale, loan or gift of Company property without first notifying the Company and obtaining written approval from authorized senior management of the Company;
5. Learns of a business opportunity through association with the Company and discloses it to a third party or invests in or takes the opportunity personally without first notifying the Company;
6. Uses corporate property, information, or position for personal gain; or
7. Competes with the Company.

## Equal Opportunity Employer

The Company is an equal opportunity employer and makes employment decisions on the basis of merit. The Company wants to have the best available people in every job. Therefore, the Company does not discriminate, and does not permit its employees to discriminate against other employees or applicants because of race, color, religion, gender, sex, sexual orientation, gender identity or expression, pregnancy, marital status, national origin, citizenship, veteran status, ancestry, age, physical or mental disability, medical condition, genetic predisposition, or any other basis protected by applicable federal, state, or local law. Equal employment opportunity will be extended to all persons in all aspects of the employer-employee relationship, including recruitment, hiring, upgrading, training, promotion, transfer, compensation, benefits, discipline, layoff, recall and termination.

An employee who believes he or she has been or is being subjected to discrimination should bring this matter to the attention of his or her immediate supervisor, department head or Human Resources. If management receives a complaint of discrimination, they shall report the complaint immediately to Human Resources. Nothing in this policy requires any employee complaining of discrimination to present the matter to the person who is the subject of the complaint. All complaints of discrimination will be promptly investigated. The privacy of the persons involved will be protected, except to the extent necessary to conduct a proper investigation. If the investigation substantiates the complaint, immediate action will be taken to end the discrimination, prevent its recurrence and remedy the situation.

An employee who reports discrimination or participates in an investigation related to a complaint of discrimination shall not be retaliated against or adversely treated on the basis thereof.

## Fraud & Similar Irregularities

Directors and employees are obligated to protect Company assets and ensure their efficient use. Theft, carelessness and waste of Company assets by Directors and employees may result in their termination and other corrective actions by the Company. Company assets shall be used only for the legitimate business purposes of the Company.

Fraud includes, but is not limited to, dishonest or fraudulent acts; embezzlement; misappropriation of assets; forgery or alteration of negotiable instruments such as Company checks and drafts; taking or using Company supplies or any other Company asset for a purpose other than Company business; unauthorized handling or reporting of Company transactions; and falsification of Company records or financial statements for personal reasons or any other reason.

Directors and employees are obligated to report any fraud, whether material or not to the Company. Reports will be investigated promptly and discreetly. Directors and employees will not suffer adverse consequences as a result of making such a report. However, failure to report a fraud will have a direct negative effect on that person's relations with the Company.

## Policy Against Harassment

The Company is committed to providing a work environment that is free of unlawful discrimination and/or harassment. In keeping with this commitment, the Company maintains a strict policy prohibiting unlawful harassment in the workplace, including sexual harassment, by any employee and by any third parties such as patients, doctors, vendors or visitors. In addition, any harassment of an employee on the basis of race, color, religion, gender, sex, sexual orientation, gender identity or expression, pregnancy, marital status, national origin, citizenship, veteran status, ancestry, age, physical or mental disability, medical condition, genetic predisposition or any other protected classification is also strictly prohibited.

The Company considers harassment a serious act of misconduct for which an employee will be disciplined, up to and including immediate discharge. Management who fail to report violations of the Company's Policy Against Harassment will be disciplined, up to and including suspension and termination of employment. The term "harassment" includes sexual, racial, ethnic, and other forms of harassment, including harassment based upon disability.

Some examples of what may be considered harassment, depending on facts and circumstances, include the following:

**Sexual Harassment.** Unwelcome sexual advances, requests for sexual favors, widespread sexual favoritism, and other verbal, physical or visual conduct of a sexual nature constitute unlawful sexual harassment if (i) submission to such conduct is made an explicit or implicit term or condition of employment; (ii) submission to or rejection of such conduct is used as the basis for employment decisions affecting an individual; or (iii) such conduct has the purpose or effect of either (a) unreasonably interfering with an individual's work performance or (b) creating an intimidating, hostile, or offensive working environment. Sexual harassment includes gender harassment and harassment on the basis of pregnancy, childbirth or related medical conditions, and also includes sexual harassment of an employee of the same gender as the harasser.

Examples of conduct which may violate this Policy include, but are not limited to: offensive or unwelcome sexual flirtations, advances or propositions; threats and demands to submit to sexual requests; offering employment benefits in exchange for sexual favors; making or threatening reprisals after a negative response to

sexual advances; widespread sexual favoritism; verbal abuse of a sexual nature; graphic verbal commentaries about an individual's body; sexually degrading words used to describe an individual; sexually-oriented jokes, e-mails, or written materials; visual conduct, including leering, making sexual gestures, displaying of sexually suggestive objects or pictures, cartoons or posters; accessing sexually explicit, pornographic and/or socially offensive websites, chat rooms or other material on the internet or other computer systems; and the unwelcome physical touching of others.

**Other Harassment.** The Company also will not tolerate any harassment of an employee on the basis of race, gender, religion, color, national origin, sex, sexual orientation, sexual identity, transgender identity, age, ancestry, marital status, disability, medical condition, pregnancy, veteran's status, genetic predisposition or any other protected classification. Examples of such conduct which may violate this policy include, but are not limited to, verbal abuse of a racially derogatory nature; the use of racial or ethnic slurs; racially or ethnically disparaging words used to describe an individual; and racial, ethnic or other derogatory jokes, e-mail, written materials, drawings or cartoons which are racially or otherwise offensive.

### **Manager Training**

As part of the Company's commitment to provide a harassment free workplace, the Company provides and requires training for all managers and supervisors on sexual harassment and other forms of prohibited harassment.

### **Complaint Procedure**

If you believe that you have been discriminated against or you have been harassed by a coworker, supervisor, patient, or vendor; have witnessed possible discrimination and/or harassment; or if you believe that the Company or another employee has violated any applicable law in the conduct of the Company's business, you have a duty to immediately bring the incident(s) to the attention of Human Resources, or to your supervisor or manager. Any supervisory or managerial employee who receives such a complaint must promptly report it to Human Resources. The description of the incident(s) can be given verbally or in writing.

The matter will be thoroughly investigated, with confidentiality maintained to the extent possible. The Company will promptly investigate the complaint and take appropriate remedial action. It is the obligation of all employees to cooperate fully in the investigation process.

The Company will take action to deter any future discrimination and/or harassment. The Company considers any discrimination and/or harassment to be a serious offense which can result in disciplinary action for the offender, up to and including termination. In addition, disciplinary action will be taken against any employee who attempts to discourage or prevent another employee from bringing discrimination, harassment and/or a violation of law to the attention of management.

## **Policy Against Retaliation**

The Company strictly prohibits retaliation, coercion or intimidation against any person who has, in good faith, opposed harassment or discrimination, filed a complaint of harassment or discrimination, or participated in any proceeding involving a complaint of harassment or discrimination. Any employee who is found to have committed such retaliation will be subject to discipline, up to and including termination. Any employee who experiences or witnesses any conduct believed to be retaliatory should immediately follow the reporting procedures stated above.



## Health & Safety

Health and safety is a primary goal of the Company. The Company will comply with all applicable laws to protect the health and safety of its employees in the workplace. Management shall take such actions as are reasonable and necessary to protect Directors, employees and the Company.

To maintain a safe workplace, employees must be safety conscious at all times. Employees must advise their Supervisor or Human Resources if they are aware of any condition presenting a danger so that corrective action may be taken to remove the danger.

Employees should report personal injury, however minor, to the Human Resources Department immediately. First aid kits are readily available in all work areas. In case of emergency, the first person in contact with the injured or ill worker will be responsible for seeking help. The Human Resources Department will assist in obtaining treatment for the injured worker.

## Political Activities & Contributions

The Company encourages participation in the political process by its Directors and employees. The federal government and some states have, however, enacted laws regulating campaign contributions in order to limit the political influence of certain types of contributors, such as corporations, to political candidates and participation in political campaigns.

The Company will comply with applicable laws regulating political influence and campaign contributions. The Company believes strongly in the democratic political process and that its Directors and employees should take an active interest in fostering principles of good government in the communities in which they live. Directors and employees may spend their own time and funds supporting political candidates and issues but the Company will not reimburse them for time or funds used for political contributions.

No Director or employee shall apply pressure, direct or implied, that infringes upon an individual's right to decide whether, to whom and in what amount a personal political contribution is to be made. Directors and employees who represent the Company in political and governmental matters must comply with all laws that regulate corporate participation in public affairs.

When permitted by law and authorized by authorized senior management of the Company, Company funds and facilities may be used to inform or influence the voting public on an issue of importance to the business of the Company and its stockholders.

If a Director or employee is asked to make a political contribution and he or she has questions regarding this policy or applicable law, they should consult with authorized senior management of the Company.

# Code of Business Conduct and Ethical Business Practice

## Acknowledgment of Receipt

I certify that I have received the Prospect Medical Holdings, Inc. Code of Business Conduct and Ethical Business Practice, understand it represents mandatory policies of the Company and agree to abide by it.

Name (please print): \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



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