

## **Nominating and Governance Committee Charter**

The purpose of this Charter is to delegate authority to and specify the composition, duties, and responsibilities of the Nominating and Governance Committee (the "Committee") of the Board of Directors (the "Board") of Sierra Health Services, Inc. (the "Company").

### **I. Committee Purpose and Authorization**

The Committee is appointed by the Board to assist the Board with respect to:

- Board membership, organization and functions, including identifying qualified individuals to become Board members and recommending to the Board a slate of candidates for election as directors at each Annual Meeting of Stockholders.
- Structure and membership of Board committees.
- Corporate governance, by assuming a leadership role in shaping the Company's practices in this area, including by developing and implementing the Company's Corporate Governance Guidelines.

By this Charter, the Board of Directors authorizes the Committee, to the fullest extent permitted under the corporation law of the State of Nevada and the Company's Articles of Incorporation and Bylaws, to exercise the powers of the Board in matters relating to nominations of directors and corporate governance or otherwise within the scope of this Charter. The Committee shall have such extended authority with respect to the business and affairs of the Company as may be conferred by any other resolution adopted or approved by the Board.

The Committee is authorized to retain, at the Company's expense, special legal counsel, search firms, or other professionals or experts it deems necessary in the performance of its duties. With respect to search firms to be used to identify director candidates, the Committee shall have sole authority to retain and terminate such firm and to approve the firm's fees and other retention terms. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to anyone in the organization.

### **II. Committee Composition**

The Committee shall be comprised solely of two or more of the non-employee directors of the Company, as determined by the Board from time to time. Each member of the Committee shall be an "independent" director, as defined under Section 303A(2) of the Listed Company Manual of the New York Stock Exchange and in the Company's Corporate Governance Guidelines. Each member of the Committee shall have sufficient knowledge and familiarity in the area of corporate governance to discharge the duties and responsibilities as a member of the Committee. The foregoing notwithstanding, no action of the Committee shall be void or deemed to be without authority solely because of a failure of any member to meet the requirements of this Part II.

Members of the Committee shall be appointed by the Board and may be removed by the Board. Members shall serve until their successors are duly appointed (except in the case of removal), which appointments shall be made each year following the Annual Meeting of Stockholders. If the Board does not designate a Chairperson of the Committee, the Chairperson shall be selected by the members of the Committee.

### **III. Meetings and Organization**

The Committee shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than once per year. A majority of the members shall constitute a quorum, and decisions shall be made by act of a majority of the members present at a meeting. Meetings should be scheduled to be held on the same day as Board meetings, when possible. The Chairperson may call special meetings as

circumstances require. Participation in meetings by telephone or other interactive means is permitted. The CEO and other executive officers, employees, and professional persons may attend meetings, but all or part of at least one meeting per year will be conducted with no officers or employees present (this may be a joint meeting with the independent members of the Board of Directors). The Committee shall keep regular minutes of its proceedings, which shall be available to the Board, and shall make reports to the Board as requested by the Board. The Committee may delegate its authority to one or more subcommittees, which shall be comprised of at least two members of the Committee.

#### **IV. Committee Responsibilities and Duties**

The Committee shall have and perform the duties and responsibilities identified below, without limiting the scope of authority granted under this Charter:

##### ***Nominations and Board Membership:***

- To identify individuals believed to be qualified to be elected as directors, and recommend to the Board the nominees to stand for election as directors at each Annual Meeting of Stockholders.
- To evaluate candidates for election as directors by considering the following criteria (it is understood that these are not absolute prerequisites to Board service, so a candidate need not satisfy all criteria):
  - The candidate's experience, education, expertise and skills, and how those attributes relate to the business of the Company and could help the Board and Board committees to effectively perform its function
  - How those attributes of a given candidate would complement the experience, education, expertise and skills of the other Board members and enhance the diversity of viewpoints and wealth of knowledge of the Board
  - The candidate's independence from conflict of interest or economic relationship with the Company (other than as a stockholder), including independence under the Company's Corporate Governance Guidelines and New York Stock Exchange Listing standards, qualification as a Non-Employee Director under Rule 16b-3 under the Securities Exchange Act of 1934 and as an "outside director" under Section 162(m) of the Internal Revenue Code and regulations thereunder
  - The ability of the candidate to attend Board meetings regularly and devote appropriate time and effort in preparation for those meetings; in this regard, there is no limit on the number of other public company boards a director may serve, but such other service should be considered in applying this criterion to the the director
  - The commitment of the candidate to helping the Company achieve its mission
  - In addition, the Committee may consider candidates who will help the Board to maintain relationships with other groups that hold stakes in the Company and to respond to developments in the market in which the Company operates
  - The possession by the candidate of character, judgment and reputation, and current or past service in positions or affiliations, befitting a director of a publicly held company of the Company' size and prominence
  - In determining whether to recommend the nomination of an incumbent director for reelection, considerations as to whether the incumbent director has performed effectively in his or her most recent years of service, whether the director continues to substantially meet the criteria for selection as director, and whether the Company's affiliation with the director will in the future enhance the stature and reputation of the Company. .
- To recommend to the Board other criteria to be weighed in selecting candidates for election as director.
- In the case of a new position created by expansion or a vacancy that occurs or will occur by resignation, retirement, due to a determination by the Board not to nominate an incumbent director for reelection, or for any other reason, to make recommendations to the Board with respect to candidates to serve as director on the basis of a process

developed by the Committee for identifying, assessing and recommending new directors.

- To review candidates for director put forward by stockholders, if any, in accordance with a process developed by the Committee.
- To make recommendations regarding director retirement age, tenure and removal.
- To review the continued appropriateness of Board membership of a director who has retired from or changed the position held when the director joined the Board.
- To approve the terms of any agreement, contract or arrangement of the Company which would entitle any party other than the Board or the Committee to nominate a director, and monitor the Company's compliance with any such obligation.

#### ***Composition and Function of Committees***

- To review at least annually and make recommendations to the Board regarding the membership and designated chairperson of each Board committee, seeking diversity of viewpoints and effective leadership for each committee.
- To review the charter of each Board committee and make recommendations regarding each committee's size, structure, function and other matters appropriate to the committee's charter.
- To review and reassess the adequacy of this Charter at least annually, and submit proposed revisions to the Charter to the Board for approval and have the document published by the Company in accordance with regulations of the Securities and Exchange Commission.

#### ***Corporate Governance Guidelines***

- To develop and implement the Company's Corporate Governance Guidelines, monitor corporate governance issues and best practices and periodically review, and make recommendations to the Board for changes to, the Corporate Governance Guidelines.

#### ***Determination of Director Independence***

- To review annually with the Board the relationships that each director has with the Company, applying the independence standards and review procedures set forth in the Company's Corporate Governance Guidelines, and recommend findings to the Board regarding those directors for whom an individual determination of independence is to be made under the Guidelines.

#### ***Board and Committee Evaluations***

- To study and review the overall effectiveness of the Board, its organization, functioning, and conduct of business, and make recommendations to the Board for improvements.
- To develop and make recommendations to the Board regarding an annual self-evaluation of the Board and its committees, and implement and exercise oversight over such process, and develop and make recommendations to the Board regarding an annual evaluation of senior management, and exercise oversight over such process.

#### ***Director Orientation and Continuing Education***

- To develop and administer a formal director orientation program to be completed by a new director within the 60 days following his or her initial election or appointment
- To recommend to the Board appropriate means to provide for the continuing education of directors, either individually or collectively as a committee or the entire Board, when circumstances suggest such education will substantially enhance the knowledge and effectiveness of the director(s) and in that way benefit the Company.

#### ***Stockholder Communications with Non-Management Directors***

- To develop and monitor a process by which stockholders may communicate directly with one or more of the Company's non-management directors.

***Corporate Governance Issues***

- To monitor and, if appropriate, respond to significant corporate governance issues raised by regulators, stockholders, potential investors, the press, or the general public.

**V. Annual Performance Review**

Annually, the performance of the Committee shall be subject to review and evaluation, in accordance with a process developed by the Committee (this may be in conjunction with the evaluation of the Board). This will include a review of the compliance by the Committee with this Charter. The results of the evaluation shall be reported to the Board.

This Nominating and Governance Committee Charter is hereby ratified and adopted on the 9th day of December, 2003.