



Computer Programs and Systems, Inc. Corporate Governance Guidelines

(As Adopted by the Board of Directors on March 11, 2004,
and Last Amended by the Board of Directors on January 27, 2014)

Mission of the Board of Directors. The responsibility of the Board of Directors (the “Board”) of Computer Programs and Systems, Inc. (the “Company”) is to review and regularly monitor the effectiveness of the Company’s fundamental operating, financial and other business plans, policies and decisions, including the execution of its strategies and objectives, as well as to exercise oversight of management’s identification and management of, and planning for, the material risks facing the Company. The Board will seek to enhance stockholder value over the long term.

The Board believes that its objectives will be best served by following the fundamental corporate governance principles described in this document and the charters of its various committees. Collectively, these principles demonstrate the Board’s accountability and its desire that the Company achieve superior business results.

These Corporate Governance Guidelines (these “Guidelines”) are not intended to change or interpret any law or regulation, or the Certificate of Incorporation or Bylaws of the Company. Rather, these Guidelines are intended to provide a set of flexible guiding principles for the effective functioning of the Board. The Board may modify or amend these Guidelines and the authority and responsibilities of the Board herein at any time.

1. STRUCTURE OF THE BOARD

1.1 Size. The Bylaws of the Company provide that the number of directors that shall constitute the Board shall be fixed from time to time by the Board. The Board currently has seven (7) directors. This size is satisfactory under current circumstances but may be adjusted upward or downward by the Board to reflect the changing needs of the Company. Between annual stockholder meetings, the Board may appoint directors to vacancies or newly created positions.

1.2 Independence of Directors. A majority of the directors on the Board must be independent directors. An “independent director” means a person who fully complies with applicable legal and Nasdaq listing requirements for serving as such, as determined by the Board. Each director’s status under this definition should be reviewed annually by the Nominating and Corporate Governance Committee and the Board. Each director should keep the Nominating and Corporate Governance Committee fully and promptly informed as to any developments that might affect the director’s independence.

1.3 Board Membership Criteria. The Nominating and Corporate Governance Committee is responsible for recommending to the Board the types of skills and characteristics required of directors, based on the needs of the Company from time to time. This assessment should include issues of relevant experience, intelligence, independence, commitment, integrity, diligence, conflicts of interest, age, compatibility with the Company’s management team and culture, prominence, understanding of the Company’s business, the ability to act in the interests of all stockholders and other factors deemed relevant. The backgrounds and qualifications of



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the directors, considered as group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. The Nominating and Corporate Governance Committee should confer with the full Board as to the criteria that it intends to apply before a search for a new director is commenced.

1.4 New Director Candidates. The Board will nominate new directors only from candidates identified, screened and approved by the Nominating and Corporate Governance Committee. Any invitation to join the Board should be extended through the Chairman of the Nominating and Corporate Governance Committee after approval by the full Board. The procedures for stockholders to recommend director candidates are set forth below in Section 4.4.

1.5 Term of Board Service. The Company's directors are divided into three classes with staggered three year terms. Directors of each class will stand for election at the conclusion of each three year term. Term limits for Board membership are not necessary; however, no director should have an expectation of permanent membership. As an alternative to term limits, the Nominating and Corporate Governance Committee will formally review each director's continuation on the Board at the expiration of each term. This will also allow each director the opportunity to confirm his or her desire to continue as a member of the Board.

1.6 Retirement Age. No director will be nominated for reelection or reappointment to the Board after reaching 72 years of age, unless the Nominating and Corporate Governance Committee concludes that such person's continued service as a director is in the Company's best interest.

1.7 Board Compensation. Management should report periodically to the Compensation Committee about the status of Board compensation in relation to compensation paid by the other comparable companies. Director fees and benefits should be determined with appropriate reference to the fees and benefits for directors of comparable companies.

2. BOARD PROCEDURAL MATTERS

2.1 Selection of Chairman. Any director is eligible to be Chairman of the Board. The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chairman of the Board should be separate. The Board should be free to make these choices in any manner that it deems best for the Company from time to time.

2.2 Board Meetings.

- (a) **Agenda.** The Chairman of the Board, in consultation with Company management, will establish, and the Secretary of the Company will distribute in advance, the agenda for each Board meeting. Any director is free to suggest potential items for the agenda.
- (b) **Frequency of Meetings.** The Board expects to have at least four regularly scheduled meetings each year. In addition, special meetings may be called from time to time as determined by the needs of the business.



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- (c) **Executive Sessions of Independent Directors.** The independent directors will meet in executive session at least twice annually and otherwise as needed. Such sessions will be chaired by an independent director selected by a majority of the independent directors, who will also establish an agenda for such meetings.
- (d) **Governance Decisions.** Decisions on matters of corporate governance will be made with the approval of a majority of the independent directors.
- (e) **Conflicts of Interest.** Each director is required to disclose to the Board and the Audit Committee any financial interest or personal interest that he or she has in any contract or transaction that is being considered by the Board (or Audit Committee) for approval. After such disclosure and responding to any questions that the Board and Audit Committee may have, the interested director should abstain from voting on the matter and, in most cases, should (and at the request of the Chairman of the meeting will) leave the meeting while the remaining directors discuss and vote on such matter.

2.3 Counsel and Advisors. The Board and each of its committees may retain outside legal counsel and other advisors at their discretion and at the expense of the Company.

2.4 Expectations of Directors.

- (a) **Attendance; Availability.** Each director should make every reasonable effort to attend each meeting of the Board and any committee of which the director is a member and to be reasonably available to management and the other directors for consultation between meetings. In particular, directors should attend sufficient meetings to avoid falling below the attendance level that would require disclosure in the Company's annual proxy statement.
- (b) **Attendance at Annual Meeting of Stockholders.** Absent extenuating circumstances, each director is expected to attend the Company's annual meetings of stockholders.
- (c) **Corporate Opportunities.** Directors shall make business opportunities relating to the Company's business available to the Company before pursuing the opportunity for the director's own or another's account.
- (d) **Stock Ownership Guidelines.** The Board believes that directors should be stockholders and have a financial stake in the Company. In accordance with this principle, the Board has established a stock ownership guideline for non-employee directors that each non-employee director should beneficially own shares of Company common stock valued at three times such director's annual retainer. Current non-employee directors will have until January 23, 2017 to satisfy this guideline. New non-employee directors will have five years from the date of their election to the Board to satisfy this guideline. The minimum number of shares to be held by a director will be calculated on the first trading day of each calendar year based on their fair market value. Any subsequent change in



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the value of the shares will not affect the amount of stock directors should hold during that year. Directors may satisfy the ownership guideline with common stock in the following categories: (i) shares owned directly, (ii) shares owned indirectly (e.g., by a spouse, minor children or a trust), and (iii) time-vesting restricted stock. However, unexercised stock options and unearned performance shares, if any, are not counted toward meeting the guidelines. Also, any shares that are subject to hedging, monetization or pledging transactions are not counted toward meeting the ownership guidelines.¹ If the number of shares that a director should own is increased as a result of an increase in the amount of such director's annual retainer, the director will have five years from the effective date of the increase to attain the increased level of ownership.

- (e) **Orientation and Education.** When a new director joins the Board, management will provide an orientation program to enable the new director promptly to gain an understanding of the Company and its industry. The Board expects each director to take steps reasonably necessary to be adequately informed about the Company and external matters affecting it and to enable the director to function effectively on the Board and committees on which the director serves. The Board, through the Nominating and Corporate Governance Committee, and the Company's management will work together to develop and provide appropriate continuing education programs to assist directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities.

3. COMMITTEE MATTERS

3.1 Number, Titles and Charters of Committees. The current standing Board committees are (a) the Audit Committee, (b) the Compensation Committee and (c) the Nominating and Corporate Governance Committee. This structure meets the Company's present needs. The current charters of the committees are made available on the Company's website. Each committee should review its charter and activities annually, with the assistance of inside or outside counsel and advisers, as appropriate, to make certain that they are consistent with then-current sound governance practices and legal requirements.

3.2 Independence of Committees. All members of the Audit, Compensation and Nominating and Corporate Governance Committees must be independent directors.

3.3 Assignment of Committee Members. The Nominating and Corporate Governance Committee is responsible, after consideration of the desires of individual directors, for recommending to the Board the assignment of directors to various committees.

3.4 Committee Chairs. All standing Board committees shall be chaired by independent directors, and their Chairs shall be recommended to the Board by the Nominating and Corporate Governance Committee.

¹ Pursuant to the Company's Insider Trading Policy, directors, along with Company employees, are prohibited from entering into hedging or pledging transactions involving CPSI stock commencing January 28, 2013.



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3.5 Frequency and Length of Committee Meetings. Each committee chairman, in conformity with such committee's charter and in consultation with committee members, will determine the frequency and length of each committee's meetings.

3.6 Committee Agenda. Each committee chairman, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

3.7 Attendance at Committee Meetings. Attendance of non-committee persons at committee meetings will be at the pleasure of the committee. Committees should regularly meet in executive session.

3.8 Minutes and Reports. Minutes of each committee meeting or action will be kept and distributed to the Board. Each committee will report regularly to the Board on substantive matters considered and actions taken by the committee.

3.9 Term of Committee Service. Formal term limits for committee membership are not necessary; however, no committee member should have an expectation of permanent membership.

3.10 Self-Evaluation. Each committee shall be responsible for annually conducting a self-evaluation. The Nominating and Corporate Governance Committee shall be responsible for monitoring the processes and evaluation criteria established by each committee. The results of such evaluation will be reported to the full Board.

4. OTHER MATTERS

4.1 Executive Officer Stock Ownership Guidelines. The Board believes that the Company's "officers" (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and "executive officers" (as defined in Rule 3b-7 of the Exchange Act) (collectively referred to as the "Executive Officers") should be stockholders and have a financial stake in the Company. In accordance with this principle, the Board has established the following stock ownership guidelines for the Executive Officers: (a) each of the Chief Executive Officer and the Chief Financial Officer should beneficially own shares of Company common stock valued at five (5) times such individual's annual base salary and (b) each other Executive Officer should beneficially own shares of Company common stock valued at two (2) times such individual's annual base salary (excluding the amount of any commissions). Current Executive Officers will have until January 27, 2019 to satisfy this guideline. New Executive Officers will have five years from the date of their designation by the Board as an Executive Officer to satisfy this guideline. The minimum number of shares to be held by an Executive Officer will be calculated on the first trading day of each calendar year based on the fair market value of the Company common stock. Any subsequent change in the value of the shares will not affect the amount of stock Executive Officers should hold during that year. Executive Officers may satisfy the ownership guideline with common stock in the following categories: (i) shares owned directly, (ii) shares owned indirectly (e.g., by a spouse, minor children or a trust), and (iii) time-vesting restricted stock. However, unexercised stock options and unearned performance shares, if any, are not counted toward meeting the guidelines. Also, any shares that are subject to hedging, monetization or pledging transactions are not counted toward meeting the ownership



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guidelines.² If the number of shares that an Executive Officer should own is increased as a result of an increase in the amount of such Executive Officer's annual base salary, the Executive Officer will have five years from the effective date of the increase to attain the increased level of ownership.

4.2 Policy Against Company Loans. Neither the Company nor any of its subsidiaries shall provide loans, loan guarantees or otherwise directly or indirectly extend credit to any executive officer or director of the Company, if such loans, guarantees or extensions of credit would violate Section 13(k) of the Exchange Act. Payment advances or reimbursement for expenses will not be deemed a violation of the foregoing policy.

4.3 Board Access to Management. Directors shall have complete access to management.

4.4 Director Nominees Proposed by Stockholders.

- (a) Stockholders of the Company may recommend director candidates for inclusion by the Board of Directors in the slate of nominees that the Board recommends to the Company's stockholders for election. The qualifications of recommended candidates will be reviewed by the Nominating and Corporate Governance Committee. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election as a director by the stockholders, then the name will be included in the Company's proxy materials for the stockholders meeting at which his or her election is recommended.
- (b) Stockholders may recommend individuals for the Nominating and Corporate Governance Committee to consider as potential director candidates by submitting the following information to the Nominating and Corporate Governance Committee, c/o Corporate Secretary of Computer Programs and Systems, Inc., 6600 Wall Street, Mobile, Alabama 36695:
 - (i) The name of the person recommended as a director candidate;
 - (ii) All information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors pursuant to Regulation 14A under the Exchange Act;
 - (iii) The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serve as a director if elected;
 - (iv) As to the stockholder making the recommendation, the name and address, as they appear on the Company's books, of such stockholder; provided, however, that, if the stockholder is not a registered holder of the Company's common stock, then the stockholder should

² Pursuant to the Company's Insider Trading Policy, Executive Officers are prohibited from entering into hedging or pledging transactions involving CPSI stock.



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submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company's common stock; and

- (v) A statement disclosing whether such stockholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

The Nominating and Corporate Governance Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis.

- (c) The process followed by the Nominating and Corporate Governance Committee to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and the Board. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.
- (d) In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by stockholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in Section 1.3 of these Guidelines. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. As stated in Section 1.3 of these Guidelines, the Board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

4.5 Stockholder Communications with the Board.

- (a) The Board will give appropriate attention to written communications on issues that are submitted by stockholders and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Chairman of the Nominating and Corporate Governance Committee will (1) be primarily responsible for monitoring communications from stockholders and (2) provide copies or summaries of such communications to the other directors as he or she considers appropriate.
- (b) Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the Chairman of the Nominating and Corporate Governance Committee considers to be important



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for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications.

- (c) Stockholders and other interested parties who wish to send communications on any topic to the Board should address such communications to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary of Computer Programs and Systems, Inc., 6600 Wall Street, Mobile, Alabama 36695. All communications to the Company's directors will be relayed to the Nominating and Corporate Governance Committee without being screened by management.

4.6 Board Interaction with Third Parties. Management should coordinate all contacts with outside constituencies concerning the Company, such as the press, customers, investors, analysts or the financial community. If an individual director intends to meet or otherwise substantively communicate with these constituencies about Company matters, then this should generally be done only after consulting with the Chief Executive Officer.

4.7 Amendments of Guidelines. The Nominating and Corporate Governance Committee will review these Guidelines at least annually to ensure that they remain suitable for the needs of the Company. The Nominating and Corporate Governance Committee will recommend needed changes to the Board. The Board may modify or amend these Guidelines and the authority and responsibilities of the Board herein at any time.