

BERKSHIRE HEALTH GROUP

INVESTMENT POLICY STATEMENT

Adopted 5/29/96 and as modified as of 10/22/12

I. PURPOSE OF THIS STATEMENT

In keeping with its fiduciary obligations under the laws of the Commonwealth of Massachusetts and the United States of America, the Board of Trustees of the Berkshire Health Group set forth this statement of investment policy for the funds under its control.

The purpose of the statement is to

1. Define the investment goals and objectives of the Funds. These will include expected rates of investment return, allowable levels of risk, and liquidity needs as well as investment restrictions.
2. Establish guidelines to assist the Investment Manager in meeting the goals and objectives set forth below. These will include standards for evaluation of the Manager's investment performance.

II. INVESTMENT GUIDELINES

Investments will be made for the sole interest and exclusive purpose of providing a return for the Funds. Inasmuch as the investments of the Berkshire Health Group fall under the provisions set forth under Chapter 32B, Section 3A of the Massachusetts General Laws, the assets comprising the Funds shall be invested with care, skill and diligence that a prudent person acting in this capacity would undertake. All investments will be subject to standards of quality, marketability and diversification as set forth, and will be made in compliance with applicable state and federal statutes. Preservation of principal will always take priority over maximizing returns.

III. INVESTMENT OBJECTIVES

A. Returns

The Manager's primary goal is to achieve a rate of return on the Funds in excess of that obtainable on short-term obligations (Treasury Bills, money market funds, certificate of deposits) and in excess of the rate of inflation as expressed by the Consumer Price Index. The Manager is to invest the funds with the consistency of relative return in mind, without exposing the assets to undue risk.

B. Restrictions

The Manager is to be granted full discretion to manage the funds, subject to restrictions listed below, as to the mix of assets, selection of individual issues and timing of transactions.

Short-Term Investments

The Manager may invest short-term funds in commercial paper, US Treasury Bills, certificates of deposit and money market funds. The Group's Treasurer will regularly advise the Manager as to current and foreseeable cash needs. The Investment Manager should be aware that the group maintains what they believe to be a sufficient liquidity cushion outside the Investment Manager's portfolio and thus the need for ultra short-term liquidity is minimized.

Fixed Income Investments

Fixed income investments shall be limited to US treasury or Federal Agency obligations and US corporate obligations rated A or better by one or more nationally recognized bond rating organizations. In no event shall debt securities of any one corporate issuer exceed 5% of Fund assets, nor 20% in any single industry. The average length of maturity of the fixed income investments shall be left to the investment Manager's discretion, but a laddered average maturity is to be maintained for liquidity purposes. Securities issued by or guaranteed by the US government or its agencies shall not be subject to such limitations.

Common Stocks

The Funds will not engage in investment transactions involving so-called derivatives, nor will it invest in real estate, private placements or any assets not readily marketable. Investment in common stocks is sanctioned by the Trustees but not to exceed 35% of the total investment portfolio.

IV. OTHER CONSIDERATIONS

The Trustees' intent is to allow the Manager full discretion to manage the Funds within the scope of the investment guidelines and restrictions herein set forth. The investment Manager should attempt to minimize any multiple investment management fees (ex., mutual fund assessing a relatively large management fee in addition to the investment Manager's fee).

The Manager will meet with the Trustees on a regular basis (at least annually) to review performance and to evaluate the goals and objectives in light of the current financial outlook, as well as any material change in Berkshire Health Group's activities.

Proposed Changes to BHG's Investment Policy Statement adopted 5/29/96:

(1) Adopted 5/29/96 and as modified 10/27/05

(2) Under Part II Investment Guidelines add the following as the last sentence:
Preservation of principal will always take priority over maximizing returns.

(3) Under Part III Short Term Investments strike *needed for liquidity purposes* in sentence #1. In sentence #2 strike *Trustees* and insert instead *Group's Treasurer*. Add third sentence: *The Investment Manager should be aware that the group maintains what they believe to be a sufficient liquidity cushion outside the Investment Manager's portfolio and thus the need for ultra short term liquidity is minimized.*

(4) Under Fixed Income Investments strike *shall not exceed 5 years* and insert *shall be left to the Investment Manager's discretion, but a laddered average maturity is to be maintained for liquidity purposes.*

(5) Under Common Stocks, Sentence #2 strike *while not presently* and insert *are*; strike *may not be considered in the future* and insert *but not to exceed 25% of the total investment portfolio.*

(6) Under Other Considerations add an additional sentence at the end of the paragraph #1 *The Investment Manager should attempt to minimize multiple investment management fees (ex. mutual fund assessing a relatively large management fee in addition to the investment manager's fee).*

Proposed Changes to BHG's Investment Policy Statement adopted 5/29/96 and amended through 10/27/05

(1) Adopted 5/29/96 and *as modified through 10/22/12*

(2) Under Common Stocks, Sentence #2, strike out 25% and instead insert 35%.