

# **BMC FUND, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

### **I. Introduction**

The Board of Directors (the “Board”) of BMC Fund, Inc. (the “Fund”) has adopted these Corporate Governance Guidelines to promote the effective functioning of the Board and its committees and to ensure a common understanding among individual directors and management concerning the operation of the Board and its various committees. The Board may modify these Guidelines from time to time.

### **II. Board Composition and Size**

The members of the Board should collectively possess a broad range of skills, industry and other knowledge and expertise, and business and other experience useful for the effective oversight of the Fund’s business. At least 40% of the Board will consist of directors who the Board has determined are not “interested persons” of the Fund as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (each, an “Independent Director”).

The Fund’s bylaws provide that the Board should consist of no fewer than three and no more than 15 members.

### **III. Selection of Chairman of the Board and Chief Executive Officer**

The Board will select its Chairman and the Chief Executive Officer to promote the best interests of the Fund.

### **IV. Selection of Directors**

**A. Nominations and Appointments.** The Nominating Committee of the Board is responsible for identifying and recommending to the Board qualified candidates for Board membership, based primarily on the following criteria:

1. Integrity, demonstrated sound business judgment and high moral and ethical character;
2. Diversity of viewpoints, backgrounds, experiences and other demographics;
3. Business or other relevant professional experience;
4. Capacity and desire to represent the balanced, best interests of the Fund and its shareholders as a whole and not primarily a special interest group or constituency;
5. Ability and willingness to devote time to the affairs and success of the Fund and in fulfilling the responsibilities of a director; and

6. The extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other Board members will build a Board that is effective, collegial and responsive to the needs of the Fund.

The Nominating Committee will evaluate suggestions concerning possible candidates for election to the Board submitted to the Fund, including those submitted by Board members and shareholders. The manner of evaluating potential nominees shall be no different for candidates nominated by the Board or by a shareholder. Shareholders may submit in writing the names and qualifications of potential director nominees to the Secretary of the Fund (800 Hickory Blvd. SW, Lenoir, North Carolina 28645) for delivery to the Nominating Committee for consideration. When submitting a nomination to the Nominating Committee for consideration, a shareholder must at a minimum provide the following information with respect to each director nominee:

1. Full name, age and address;
2. Principal occupation during the past five years;
3. Current directorships on publicly held companies and investment companies;
4. Number of Fund shares owned, if any; and
5. A signed statement by the nominee consenting to serve as a director if elected.

In addition, if the Nominating Committee receives a director nomination from a shareholder or group of shareholders who have beneficially owned, individually or in the aggregate, more than five percent of the Fund's outstanding common stock for at least one year prior to the date of nomination, the Fund will identify the nominee and the shareholder(s) recommending such nominee and will disclose in the Fund's proxy statement whether the Nominating Committee chose to nominate such candidate, as well as certain other information required by Securities and Exchange Commission rules and regulations.

The Secretary will provide the Nominating Committee with a copy of any notification received by the Fund from a shareholder purporting to nominate a candidate for election as a director. Once candidates have been identified, the Nominating Committee shall determine whether such candidates meet the qualifications for director nominees established in these Guidelines.

The Board, taking into consideration the recommendations of the Nominating Committee, will be responsible for selecting the nominees for election to the Board by the shareholders and for appointing directors to the Board to fill vacancies, with primary emphasis on the criteria set forth in these Guidelines. The Board, taking into consideration the recommendations of the Nominating Committee, will also make a determination as to whether a nominee or appointee would be an Independent Director.

**B. Invitations.** The invitation to join the Board will be extended by the Board via the Chairman unless he or she designates another director to extend the invitation.

**C. Age Limitations.** The Fund has not set any retirement age limitations for its directors in order to allow directors, who provide value to the Fund, to continue to serve the Fund.

**D. Term Limitations.** The Fund has not set any consecutive term limitations for its directors in order to allow directors to continue to gain additional insight into the Fund's operations and therefore provide more value to the Fund.

**E. Change In Employment.** Changes to a director's primary employment or other activities, creating or giving the appearance of a conflict of interest with serving their duties, shall reported to the Board for appropriate review and possible corrective action.

## **V. The Committees of the Board**

The Board will have at least four committees: the Audit Committee, the Nominating Committee, the Valuation Committee and the Investment Committee (the "Committees"). The Board expects to accomplish a substantial amount of its work through the Committees. Each Committee will report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee.

Each Committee will be composed of no fewer than three members. Each Committee member must satisfy the membership requirements set forth in the relevant Committee charter. A director may serve on more than one Committee.

The Board will be responsible for identifying directors qualified to fill vacancies on any Committee. The Board, taking into account the views of the Chairman, will designate one member of each Committee as Chairperson of such Committee.

## **VI. Board and Committee Meetings**

The Board will have at least four full agenda meetings each year at which all members participate absent special circumstances. Further meetings will occur if called in accordance with the Fund's bylaws. The Board may act in person, via telephone or video conference and by unanimous written consent in lieu of a meeting, unless a face-to-face meeting is required by applicable law.

Each Committee will have the number of meetings provided for in its charter, with further meetings to occur (or action to be taken by unanimous written consent) when deemed necessary and called in accordance with the Committee's charter. Face-to-face meetings will be held when required by applicable law.

The agenda for each Board meeting will be established by the Chairman. Any Board member may suggest the inclusion of additional subjects on the agenda. The agenda for each Committee meeting will be established by the Committee Chairperson in consultation with appropriate members of the Committee and with management. Although management will seek to provide appropriate materials in advance of Board and Committee meetings, this will not

always be consistent with the timing of transactions and the operations of the business, and in certain cases it may not be possible to circulate materials in advance of the meeting. In cases where materials are not circulated by management in advance of a meeting, such materials will be distributed in paper form to the Board and Committee members at the meeting prior to the actual presentation of the matter covered by the materials. Materials presented to the Board and Committee members should provide the information needed for the directors to make an informed judgment or engage in informed discussion.

At least annually, the Chairman will issue to the other Board members a schedule of proposed meeting dates for the next year, and each Committee's Chairperson will issue to the other Committee members a schedule of proposed meeting dates for the next year. The Fund's Fiscal Year Timetable sets forth the regular agenda items for the Board and its Committees.

Unless a Committee elects to meet in executive session or expressly determines otherwise, the agenda, materials and minutes for each Committee meeting will be available to all directors, and all directors will be free to attend any Committee meeting unless to do so would conflict with the Committee's charter or applicable rules of the Securities and Exchange Commission. In addition, all directors, whether or not members of the Committee, will be free to make suggestions to a Committee Chairperson for additions to the agenda of his or her Committee or to request that an item from a Committee agenda be considered by the Board.

## **VII. Executive Sessions**

At least once each year, the Independent Directors will meet in executive session with the Fund's Chief Compliance Officer ("CCO"). The Fund's interested directors and members of management may not attend such sessions. The Independent Directors will select a director to preside at each executive session. In addition, any Committee of the Board may hold an executive session with any directors who are not members of such Committee attending only by invitation.

## **VIII. Board Responsibilities**

The business and affairs of the Fund are managed by or under the direction of the Board in accordance with the North Carolina Business Corporation Act. The Board's responsibility is to provide direction and oversight. The Board establishes the strategic direction of the Fund and oversees the performance of the Fund's business and management. The management of the Fund is responsible for presenting strategic plans to the Board for review and approval and for implementing the Fund's strategic direction. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Fund.

The primary functions of the Board include the following:

1. Act in the best interests of the Fund and its shareholders and set a climate of corporate trust, confidence and overall transparency. In discharging this

responsibility, the Board relies on the expertise and integrity of the Fund's management, the independent accountants and outside advisors and consultants.

2. Oversee the direction and management of the Fund.
3. Establish and periodically review these Guidelines.
4. Review and approve fundamental business strategies to enhance long-term shareholder value.
5. Oversee and evaluate internal control systems and processes, risk management, financial reporting and public disclosure of information.
6. Monitor corporate performance on an on-going basis.
7. Approve the designation, compensation, removal and replacement of the Fund's CCO.
8. Periodically review the Chief Executive Officer's performance and annually approve his compensation.
9. Conduct management succession planning and review.
10. Review the annual written report on the operation of the Fund's compliance policies and procedures, prepared by the CCO.

## **IX. Expectations for Directors**

The Board has developed a number of specific expectations of directors to promote the discharge by the directors of their responsibilities and to promote the efficient conduct of the Board's business. It is understood that the non-management directors are not full-time employees of the Fund.

**A. Commitment and Attendance.** All directors should make every effort to attend meetings of the Board, the Committees of which they are members and annual meetings of shareholders. Attendance by telephone or video conference may be used to facilitate a director's attendance, unless a face-to-face meeting is required by applicable law.

**B. Participation in Meetings.** Each director should be sufficiently familiar with the business of the Fund, including its financial statements and capital structure, and the risks it faces, to ensure active and effective participation in the deliberations of the Board and of each Committee on which he or she serves. Upon request, management will be available to answer any questions a director may have. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

**C. Loyalty and Ethics.** In their roles as directors, all directors owe a duty of loyalty to the Fund. This duty of loyalty mandates that the best interests of the Fund take precedence over any interest possessed by a director.

**D. Contact with Management.** All directors will be free to contact Fund management at any time to discuss any aspect of the Fund's business. The Board expects that there will be frequent opportunities for directors to meet with the members of management in Board and Committee meetings, or in other formal or informal settings.

**E. Confidentiality.** The proceedings and deliberations of the Board and its Committees will be confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director.

#### **X. Reliance on Management and Outside Advice**

In performing its functions the Board will be entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. Except as otherwise provided in a charter of a Committee, the Board will have the authority to select, retain, terminate and approve the fees and other retention terms of its outside advisors.

#### **XI. Shareholder Communications with Directors**

Any shareholder desiring to contact the Board or any specific director(s), may send written communications to: Board of Directors (Attention: (Name(s) of director(s), as applicable), c/o the Fund's Secretary, 800 Hickory Blvd. SW, Lenoir, North Carolina 28645. Any proper communication so received will be processed by the Secretary. If it is unclear from the communication received whether it was intended or appropriate for the Board, the Secretary will (subject to any applicable regulatory requirements) use her judgment to determine whether such communication should be conveyed to the Board or, as appropriate, to the member(s) of the Board named in the communication.

Adopted: September 28, 2004