

**AAC HOLDINGS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

*As adopted by the Board of Directors on June 3, 2014*

**Philosophy**

The Board of Directors is committed to achieving business success and enhancing long-term stockholder value while maintaining the highest standards of responsibility, ethics and integrity. In that regard, the Board has adopted these principles to provide an effective corporate governance framework for the Company, thereby intending to reflect a set of core values that provide the foundation for the Company's governance and management systems and its interactions with others.

**Role of Board of Directors and Management**

The Board oversees management as it operates the Company's business with the highest standards of responsibility, ethics and integrity. To satisfy their respective responsibilities, the directors and members of senior management shall set policies and guidelines reflecting the Company's commitment to business success through maintaining these standards.

Furthermore, the Board also expects each director and each member of senior management to act ethically at all times and to adhere to the policies, as well as the spirit, expressed in the Company's Code of Business Conduct and Ethics. In the absence of exceptional circumstances, the Board will not permit any waiver of any ethics policy for any director or executive officer.

1. Responsibilities of the Board of Directors. The Board of Directors shall be responsible for overseeing the conduct of the Company's business and ensuring that the interests of the Company's stockholders are being served. In carrying out that oversight duty, the Board's primary functions (which may be fulfilled by committees of the Board) shall include:
  - a. *Management planning and oversight:* Selecting, evaluating and compensating the Chief Executive Officer ("CEO") and planning for CEO succession (as described below); providing counsel and oversight in the selection, evaluation and compensation of, and succession planning for, other members of senior management; and approving the appointment and compensation of executive officers.
  - b. *Strategic and operational planning:* Reviewing and approving long-term strategic plans and annual operating plans and monitoring the implementation and execution of those plans.
  - c. *Major corporate actions:* Reviewing and approving significant financial and business transactions and other major corporate actions.
  - d. *Financial reporting:* Reviewing publicly disclosed financial statements and related reports, and overseeing the establishment and maintenance of controls processes and procedures to promote accuracy, integrity and clarity in financial and other disclosures.
  - e. *Governance and compliance management:* Establishing and maintaining governance and compliance processes and procedures to promote the highest standards of responsibility, ethics and integrity in the management of the Company.

2. Responsibilities of Management. Management, under the direction of the CEO, shall be responsible for conducting the Company's business and affairs in an effective, responsible and ethical manner, consistent with the principles and direction established by the Board. In carrying out that duty, management is charged with the following:
  - a. *Organizing management:* Selecting qualified management and implementing an organizational structure that is efficient and appropriate for the Company's operations and culture.
  - b. *Strategic and operational planning and implementation:* Developing long-term strategic plans and annual operating plans, presenting those plans to the Board, implementing and executing approved plans, and recommending and executing changes to those plans as necessary.
  - c. *Managing risk:* Identifying and managing the risks that the Company undertakes in the course of carrying out its business and managing the Company's overall risk profile.
  - d. *Financial reporting:* Ensuring the integrity of the Company's financial statements and reports by implementing, and supervising the operation of, systems, controls, processes and procedures that allow the Company to record, process, summarize and report information in a timely and accurate manner and produce financial statements and other disclosures that fairly present the Company's financial condition and results of operations and permit stockholders to understand the Company's business, financial soundness and risks.

## **Board Composition and Structure**

The number of directors constituting the full Board shall be determined from time to time by the Board within the limits prescribed by the Company's articles of incorporation and bylaws. In determining the number of directors constituting the full Board, the Board should consider, among other things, the size and breadth of the Company's business and the Company's goals and needs.

1. Director Qualifications. There shall be at least a majority of independent directors on the Board who meet the independence requirements of the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules promulgated thereunder and the applicable rules of the New York Stock Exchange ("NYSE"). The consideration of a candidate as a director will include the Nominating and Governance Committee's assessment of the individual's background, skills and abilities, and whether such characteristics are consistent with the Company's Corporate Governance Guidelines and fulfill the needs of the Board at that time. The Nominating and Governance Committee shall take into account diversity in professional and personal experience, skills, background, race, gender and other factors of diversity as it deems appropriate when considering director candidates. The Nominating and Governance Committee may adopt such procedures and criteria not inconsistent with these Corporate Governance Guidelines as it considers advisable for the assessment of director candidates. The Board should monitor the mix of experience, expertise, diversity, skills and time availability of its directors in order to assure that the Board has the necessary tools to perform its oversight function effectively.

Whenever a vacancy occurs in the Board, either because of a newly-created director position or the removal or retirement of an existing director, the Board, acting on the recommendations of the Nominating and Governance Committee, shall select a person to fill the vacancy and that person shall serve as a director until the next annual meeting of stockholders, at which time such person (or another Board nominee) shall be submitted to the stockholders for election to the Board.

2. Retirement or Withdrawal of Directors; Conflicting Commitments. The Board believes that directors should serve only so long as they add value to the Board. A director's contributions to the Board and the director's ability to continue to contribute productively will be considered by the Nominating and Governance Committee each time a director is considered for nomination. In that regard, the results of the annual Board self-evaluation described in these guidelines will be an important factor in determining whether a director should be nominated.

The Board recognizes that it is important for the Board to balance the benefits of continuity with the benefits of fresh viewpoints and experience. The Board does not believe that it should establish term limits or a fixed retirement age for its members. While term limits or a fixed retirement age could help ensure that there are new ideas and viewpoints available to the Board, the Board recognizes the value of continuity of directors who have experience with the Company and who have gained over a period of time a level of understanding about the Company and its operations that enable the director to make a significant contribution to the deliberations of the Board. The Board believes as an alternative to term limits or a fixed retirement age, it can ensure that the Board continues to evolve and consider new viewpoints through the Company's Board evaluation and nomination processes.

All directors are expected to be active participants and share collective responsibility in the Board's activities. Accordingly, the Board believes there should be a limit to the number of other boards of public companies on which a director serves.

Generally, without the express approval of the Nominating and Governance Committee and the Board, no member of the Board can serve on the board of directors of more than a total of three public companies (including the Company).

It is the responsibility of each director to ensure that other commitments do not conflict or materially interfere with the director's responsibilities to the Company. If a director has any concerns about whether serving as a director of another company might conflict with his or her duties to the Company, the director should consult the Chairman of the Board in advance of accepting an invitation to serve on the other company's board and should inform the chairman of the Nominating and Governance Committee in writing of the outcome.

The Board believes that any director who retires from or leaves his or her primary employment, or who has a material change in his or her employment responsibilities or status, should volunteer to resign from the Board. It is not the sense of the Board that in every instance a director who retires or has a material change in employment responsibilities or status should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

3. Director Orientation and Education. The Company's management shall provide new directors with materials, briefings and additional educational opportunities to permit them to become familiar with the Company and to enable them to better perform their duties. Board members are also encouraged to visit the Company's facilities and to meet with the Company employees throughout their tenure on the Board. In addition, Board members are encouraged to attend accredited director education programs. The Company will reimburse a director for any out-of-pocket expenses incurred consistent with the Company's expense policies in connection with approved director education programs.
4. Positions of Chairman and CEO; Lead Director. The Board selects the Company's Chairman of the Board and its CEO in the manner that it determines to be in the best interests of the Company's stockholders. If the positions of the Chairman of the Board and CEO are held by the same person, or if the Chairman is otherwise employed by the Company, then the chairman of the Nominating and Governance Committee (as such position is filled from time to time) shall serve as the Lead Director. The responsibilities of the Lead Director include the following:
  - a. in consultation with the Chairman, approve the annual calendar for all meetings of the Board and standing committees;
  - b. provide the Chairman with input as to the preparation of the agendas for the Board;
  - c. advise the Chairman as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the independent directors to effectively and responsibly perform their duties;
  - d. coordinate the development of the agenda for and preside over executive sessions of the Board's independent directors; act as principal liaison between the independent directors and the Chairman on material issues;
  - e. evaluate, along with the independent members of the full board, the CEO's performance and meet with the CEO to discuss the evaluation;
  - f. act as a liaison to stockholders who request direct communication with the Board; and
  - g. perform such other roles and responsibilities as may be assigned from time to time by the Nominating and Governance Committee or the full Board.

If, at any time, the chairman of the Nominating and Governance Committee is unable or unwilling to serve as the Lead Director (or, in connection with any meeting, is absent or otherwise unable to perform the duties of Lead Director at such meeting), then the most senior independent director (based on length of service on the Board) shall fulfill the duties and responsibilities of the Lead Director until such time as the chairman of the Nominating and Governance Committee is again able and willing to perform those duties and responsibilities.

### **Conduct of Board Meetings**

1. Number of Meetings and Attendance. The Board shall be responsible for determining the appropriate number of regular meetings to hold each fiscal year, but under no circumstances shall it have less than four meetings of the full Board in any fiscal year. Each director is expected to attend all regular meetings of the Board and of the committees of which he or she is a member, and is expected to make every effort to attend any specially called Board or committee meeting.

Except for the executive sessions of non-employee directors (as discussed below) and unless otherwise requested by the Board, the CEO, President, CFO and General Counsel and Secretary shall attend all Board meetings. In addition, the Chairman may request other members of management to attend all or portions of Board meetings for discussion purposes or to make appropriate presentations.

2. Meeting Agenda. The Board shall be responsible for its agenda, and each director is encouraged to suggest agenda items at any time to the Chairman or, if applicable, the Lead Director.
3. Pre-Meeting Materials. Prior to each regularly scheduled Board meeting, the Chairman with the assistance of management shall distribute appropriate written materials relating to the substantive agenda items to be discussed at that meeting (unless confidentiality or sensitivity concerns suggest that materials be distributed only at the meeting). Each director is encouraged to offer suggestions to either the Chairman or, if applicable, the Lead Director regarding the nature or extent of information or materials that are regularly distributed in advance of Board meetings.
4. Executive Sessions of Non-Employee Directors. The directors who are not also Company employees shall hold “executive sessions” in which they meet without the directors who are Company employees. Generally, an executive session of the non-employee directors shall be a standing agenda item at each regular meeting of the Board and, in addition, may be called at any time by the Lead Director or at the request of a majority of the non-employee directors. The agenda for each executive session of the non-employee directors shall be determined by the Chairman (or the Lead Director if the positions of Chairman and CEO are held by the same person). In addition, if the Board includes a non-employee director who is not independent under applicable NYSE rules, the independent directors will meet in executive session at least one (1) time each fiscal year.

If the Chairman is independent, he or she will preside over each executive session. If the Chairman is a current or former officer of the Company or otherwise is not independent, the Lead Director will preside over each executive session.

### **Committees of the Board**

1. Standing Committees. The Board shall maintain an Audit Committee, a Compensation Committee and a Nominating and Governance Committee to assist it in discharging its oversight responsibilities. The Board may convene other standing or special committees as it deems appropriate.

Each of the Audit Committee, Compensation Committee and Nominating and Governance Committee shall be governed by a written charter approved by the full Board. Once approved, each committee charter shall be considered to be an integral part of these Corporate Governance Guidelines. Each committee shall review its charter at least annually and shall report the results of such review (including any recommended changes) to the full Board.

2. Membership. The membership of each committee (including the number and identity of directors comprising the committee and the director designated to serve as committee chairman) shall be determined by the full Board, acting with the recommendations of the Nominating and Governance Committee. Each member of the Audit, Compensation and Nominating and Governance committees will satisfy the independence requirements under applicable NYSE rules. It is the policy of the Board that no current or former employee of the Company will be a member of the Audit, Compensation and Nominating and Governance committees of the Board.

3. Service on Multiple Audit Committees. If an Audit Committee member simultaneously serves on the audit committee of more than three public companies (including the Company's Audit Committee), the Board will determine whether such simultaneous service would impair the ability of such member to effectively serve on the Company's Audit Committee and will disclose such determination in the Company's annual proxy statement.
4. Conduct of Committee Meetings. Within the confines of its purpose (as stated in its charter), each committee shall be responsible for determining the frequency and length of committee meetings and the agenda of items to be discussed. The committee chairman, in consultation with appropriate members of management, shall develop the agenda for each meeting and shall cause appropriate written materials to be prepared and distributed prior to the meeting. The committee chairman, generally with the assistance of the General Counsel and Secretary, shall be responsible for ensuring minutes of each committee meeting are properly recorded, and the General Counsel and Secretary shall incorporate these minutes into the official Board minute book. The committee chairman shall be responsible for apprising the full Board on a regular basis of all committee proceedings, determinations and recommendations.

Any director shall be entitled to attend the meeting of any committee, regardless of whether he or she is a member of that committee. Unless otherwise requested by the committee chairman, appropriate members of management shall also attend committee meetings for discussion purposes or to make appropriate presentations.

### **Board Compensation**

The Board, through the Compensation Committee, will periodically review, or request management or outside consultants to review, appropriate compensation policies for the directors serving on the Board and its committees. The Compensation Committee will consider contributions to Board functions, service as committee chairmen and such other factors as it may deem appropriate. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, with the concurrence of the Nominating and Governance Committee, and with discussion and concurrence by the Board. The Board believes that a meaningful portion of director compensation should be equity-based to further the direct correlation of directors' and stockholders' economic interests. Directors who are also employees of the Company will receive no additional compensation for their service as directors.

### **Performance Evaluation; Succession Planning**

1. Annual Board Self-Evaluation. The Board will conduct an annual self-evaluation to determine whether the Board and each of its committees are functioning effectively. These evaluations will be led by the Nominating and Governance Committee and will be reviewed and discussed with the full Board.
2. Annual CEO Evaluation. As set forth in its charter, the Compensation Committee will conduct an annual review of the CEO's performance and provide a report of such review to the full Board. The independent directors will establish the evaluation process on which the performance of the CEO is evaluated.

3. Succession Planning. The Compensation Committee will report regularly to the Board on executive succession planning. At least annually, the Compensation Committee will review succession plans for the CEO and other senior executives. Succession planning will address policies and principles for CEO selection as well as policies regarding succession in the ordinary course of business, such as retirement, and contingency planning in case of an emergency or an unexpected event.

### **Access to Management and Advisers**

Directors may obtain the advice and assistance of Company officers and employees for purposes of discharging their duties and responsibilities. Any meetings or contacts that a director desires to initiate may be arranged directly by the director or through the CEO or another executive officer.

The Board welcomes input from management at Board meetings. The Board also encourages management to identify any personnel who can provide additional insight into the items being discussed because of personal involvement or who have potential that management believes should be given exposure to the Board.

The Board and its committees, as well as the non-employee directors acting in executive session, may retain independent outside financial, legal or other advisors as deemed necessary or appropriate, in their sole discretion, at the Company's expense.

### **Stock Ownership Guidelines**

Unless otherwise approved by the Nominating and Governance Committee, non-employee directors are expected to own beneficially shares of the Company's common stock with a value equal to at least five (5) times the director's annual cash retainer. Directors are expected to achieve that ownership within five years of the adoption of these guidelines, or with respect to directors elected after the adoption of these guidelines, within five years of the director's election to the Board.

Unless otherwise approved by the Nominating and Governance Committee, senior officers of the Company are expected to own beneficially shares of the Company's common stock with a value equal to the following multiple of such officer's base salary:

Chief Executive Officer	Six (6) times base salary
President	Six (6) times base salary
Chief Financial Officer, Chief Operating Officer and General Counsel	Three (3) times base salary
Other Vice Presidents	Two (2) times base salary

Officers are expected to achieve that ownership within five years of the adoption of the guidelines, or with respect to officers appointed after the adoption of these guidelines, within five years of their appointment to serve as an officer of the Company.

The Company expects to utilize focused incentives and, when appropriate, sanctions to encourage compliance with these guidelines. It is intended that equity awards made by the Company would facilitate compliance with or progress towards satisfaction of these guidelines. Consequently, stock-based compensation (including restricted shares and unexercised, vested options) will be counted toward the requirement.