



## Corporate Governance Guidelines

### Role of the Board of Directors

The responsibility of the Company's Board of Directors (the "Board") 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. The Board will seek to enhance shareholder 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 guidelines are not intended to change or interpret any law or regulation, or the Certificate of Incorporation, as amended, or Bylaws of the Company.

### 1. STRUCTURE OF THE BOARD

**1.1 Size.** Our Board presently has five directors, divided into three classes. The size of the Board will be adjusted upward or downward to reflect the changing needs of the Company.

**1.2 Mix of Inside and Independent Directors.** The Board should be composed predominantly of independent directors.

**1.2.1 Independent Director Defined.** An 'independent director' means a person who fully complies with applicable legal and stock exchange requirements for serving as such. Each director's status under this definition should be reviewed annually by the Nominating and Governance Committee and the Board. Each director should keep the Nominating and Governance Committee fully and promptly informed as to any developments that might affect the director's independence.

**1.2.2 Management Directors.** The Company's Chief Executive Officer shall be a director. Other members of management would be considered for Board membership only under unusual circumstances.

**1.2.3 Charitable Contributions.** Charitable contributions to an organization with which an independent director is affiliated shall be subject to the prior approval of the Nominating and Governance Committee, which shall consider the effect of any such contribution on the applicable director's independence.

**1.3 Board Membership Criteria.** The Nominating and 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, compatibility with the Chief Executive Officer and the Board culture, prominence, understanding of the Company's business, and other factors deemed relevant. The Nominating and Governance Committee should confer with the full Board as to the criteria 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 Governing Committee. Any invitation to join the Board should be extended through the Chairperson of the Nominating and Governance Committee after approval by the full Board.

**1.5 Directors Who Materially Change Their Job Responsibility.** Individual directors who retire or materially change the responsibility they held when they were elected to the Board (or now hold, as to present directors) should promptly tender a letter of resignation to the Chair of the Governance Committee, such letter conditioned upon acceptance by the Board. The Nominating and Governance Committee will then review the continued appropriateness of such director's ongoing Board membership under these circumstances and recommend the Board either accept or decline such resignation.

**1.6 Term of Board Service.** The directors of each class will stand for election once every three years. The Company believes that a staggered board allows the best opportunity for directors to become knowledgeable and experienced about the Company. Term limits for Board membership are not necessary, however no director should have an expectation of permanent membership.

**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. A portion of each director's compensation should be in the form of Company equity. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee.

**1.8 Lead Director.** The Board has adopted a 'lead director' structure where one director would be selected to serve as the primary interface between the Chief Executive Officer and the full Board.

**1.9 Other Directorships.** Independent directors are encouraged to limit the number of other boards on which they serve, taking into account potential Board attendance and their participation and effectiveness on the Boards. Independent directors and the Chief Executive Officer should also advise the Chairperson of the Board and the Chairperson of the Nominating and Governance Committee in advance of accepting an invitation to serve on another board of a public company, or any company who is a client of the Company. No director should serve on the Audit Committee of more than two other public companies.

## **2. BOARD PROCEDURAL MATTERS**

**2.1 Selection of Chairperson and Chief Executive Officer.** The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chairperson 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.**

**2.2.1 Agenda.** The Chairperson of the Board in consultation with the lead director will establish and distribute in advance the agenda for each Board meeting. Any director is free to suggest potential items for the agenda. An overall agenda for the full Board and each committee should be disseminated each year as soon as reasonably practicable following the annual meeting of shareholders.

**2.2.2 Frequency of Meetings.** The Board expects to have at least five regularly scheduled meetings each year. In addition, special meetings may be called from time to time as determined by the needs of the business. At least annually, the Board will devote an extended meeting to a review of the Company's long term strategic and business plans.

**2.2.3 Executive Sessions of Independent Directors.** The independent directors will meet in executive session at least quarterly and otherwise as needed. Such sessions will be chaired by the lead director, who will also establish an agenda for such meetings.

**2.2.4 Governance Decisions.** Decisions on matters of corporate governance will be made with the approval of a majority of the independent directors.

**2.2.5 Attendance of Non-Directors at Board Meetings.** Attendance of any non-director at any Board meeting is subject to the discretion of the Board. Subject to that, the Board encourages management to bring officers and managers into Board meetings from time to time, when such managers can provide additional insight into the matters being discussed and/or have potential as future members of senior management. Board approval should be sought if the Chief Executive Officer wishes to add additional personnel as attendees at Board meetings on a regular basis.

**2.2.6 Conduct of Meetings.** The Chairperson should conduct Board meetings on the assumption that each director has carefully reviewed all Board materials, and fairly facilitate open, candid, and respectful discussions. The focus at Board meetings should be strategic and on 'big picture' items.

**2.2.7 Conflicts of Interest.** Each director is required to disclose to the Board (or 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 the Board may have, the interested director should abstain from voting on the matter and, in most cases, should (and at the request of the Chairperson of the meeting will) leave the meeting while the remaining directors discuss and vote on such matter.

### **2.3 Information Provided to the Board; Communications.**

**2.3.1 Pre-Meeting.** Information that is important to the matters that will be discussed at Board meetings should be distributed at least five days in advance of the meeting, if possible, so that Board meeting time can be conserved for substantive discussion.

**2.3.2 Between Meetings.** The Chief Executive Officer should continue to advise the Board candidly of any significant developments between meetings, through a suitable method of communication.

**2.3.3 Communications.** Candid, regular discussion between the directors and the Chief Executive Officer, and among directors, is encouraged.

**2.4 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.

## **2.5 Expectations of Directors.**

**2.5.1 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

**2.5.2 Review of Materials.** Directors should carefully review information distributed to them prior to Board and committee meetings.

**2.5.3 Corporate Opportunities.** Directors shall make business opportunities relating to the Company's business available to the Company before pursuing the opportunity for the directors' own or another's account.

**2.5.4 Stock Ownership.** Directors should be shareholders and have a financial stake in the Company. While the Board does not believe it appropriate to specify the level of share ownership for individual directors, each director should develop a meaningful ownership position in the Company over time.

**2.5.5 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 or the Nominating and 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. Additionally, each director is expected 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 on the committees on which the director serves.

**2.6 Board Evaluations; Assessing the Boards' Performance.** The Board shall conduct a self-evaluation annually. The Nominating and Governance Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation. There should be regular, candid discussions between the Chief Executive Officer and the directors, individually and/or as a group, about how best to maximize each director's contribution to the Board. The Chairperson of the Nominating and Governance Committee and the Chief Executive Officer should periodically discuss the Boards' performance and the contributions made by directors, with a view to making full and productive use of directors' talents and improving the performance of the Board.

## **3. COMMITTEE MATTERS**

**3.1 Number, Titles and Charters of Committees.** The current standing Board committees are (a) Audit, (b) Compensation, and (c) Nominating and Governance. This structure meets the Company's present needs. 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 Governance Committees will be independent directors.

**3.3 Assignment and Rotation of Committee Members.** The Nominating and Governance Committee is responsible, after consideration of the desires of individual directors, for recommending the assignment of directors to various committees. Each independent director is expected to serve at all times on at least one committee. Consideration will be given to rotating committee assignments periodically, but rotation should not be mandated as there may be reasons, at a given point in time, to maintain an individual director's committee membership.

**3.4 Committee, Chairs.** All standing Board committees shall be chaired by independent directors, and their Chairs shall be selected by the Nominating and Governance Committee, except for the Chair of the Nominating and Governance Committee, where the Board will appoint the Chairman.

**3.5 Frequency and Length of Committee Meetings.** Each committee Chair, in consultation with committee members, will

determine the frequency and length of each committee's meetings.

**3.6 Committee Agenda.** Each committee Chair, in consultation with the appropriate members of the Committee and management, will develop the committee's agenda. Each committee will issue annually a schedule of proposed meeting dates and agenda items for the upcoming year (to the degree these items can be foreseen). These agendas will be shared with the Board.

**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 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 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. MANAGEMENT DEVELOPMENT MATTERS; SUCCESSION PLANNING**

**4.1 Evaluation and Compensation of the Chief Executive Officer.** The Compensation Committee should develop with the Chief Executive Officer and discuss with the Board appropriate criteria upon which the Chief Executive Officer's compensation and performance will be evaluated annually. The Compensation Committee will have the sole authority to determine the Chief Executive Officer's compensation level based on this evaluation and should meet in executive session to discuss its determinations as to the Chief Executive Officer's compensation and overall performance.

**4.2 Succession Planning and Management Development.** There should be an annual report to the Board by the Chief Executive Officer on succession planning and management development, both short term and long term. The Compensation Committee should monitor issues associated with Chief Executive Officer succession and management development, and regularly report to the Board on them. This should include issues associated with preparedness for the possibility of an emergency situation involving senior management, the long-term growth and development of the senior management team, and identifying the Chief Executive Officer's successor.

## **5. OTHER MATTERS**

**5.1 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 of the Company, or any director of the Company. Payment advances or reimbursement for expenses will not be deemed violation of the foregoing policy.

**5.2 Board Access to Management.** Directors have complete access to management. Directors will use judgment to be sure that such contacts are not distracting to the business operations of the Company and that, in general, the Chief Executive Officer is made aware of such contacts.

**5.3 Board Interaction With Certain Third Parties.** Management should coordinate all contacts concerning routine business affairs involving 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, this should generally be done only after consulting with the Chief Executive Officer.

**5.4 Insurance, Indemnification and Limitation of Liability.** The directors shall be entitled to have the Company purchase directors' and officers' liability insurance on their behalf as is reasonable under the circumstances, to the benefits of indemnification to the fullest extent permitted by law and the Company's Certificate of Incorporation or Bylaws and any indemnification agreements, and to exculpation as provided by law and the Company's Certificate of Incorporation and Bylaws.

**5.5 Amendments of Guidelines.** The Nominating and Governance Committee will review these Guidelines at least annually to ensure that they remain suitable for the needs of the Company. The Nominating and Governance Committee will recommend needed changes to the Board.

**5.6 Shareholder Communications with the Board.** All correspondence from shareholders addressed to any or all non-management directors should be sent to the Company's principal executive offices. All such correspondence will be logged in by the Secretary and forwarded to the Chairperson of the Audit Committee. The Chairperson of the Audit Committee will deliver

a summary of such correspondence to the full Board if he/she deems it appropriate at its next regularly scheduled meeting. Any director may review the log and correspondence and request copies of the correspondence.