

## **CORPORATE GOVERNANCE GUIDELINES**

Adopted by the Board of Directors on December 16, 2010

The Board of Directors of Integral Systems, Inc. (the “Company”) has adopted the corporate governance guidelines set forth below as a framework for the governance of the Company. The Board of Directors reviews the Guidelines annually and amends them as appropriate.

### **1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS**

#### ***Role of the Board***

The Board of Directors, which is elected by the Company’s stockholders, oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company’s business, and monitors the performance of senior management.

#### ***Size, Composition and Membership Criteria***

A substantial majority of the Board is made up of independent directors. An “independent” director is a director who meets the NASDAQ Stock Market definition of independence, as determined by the Board. The Board makes an affirmative determination regarding the independence of each director annually.

The Company has a classified Board whereby each year approximately one-third of directors stand for election for a three-year term. This policy assures continuity and stability of the Board.

#### ***Board Leadership***

Separate individuals currently serve as Chairman of the Board and Chief Executive Officer (“CEO”).

#### ***Change in Principal Occupation***

When a director’s principal occupation or business association changes substantially during the director’s tenure on the Board, the director must tender his or her resignation for consideration by the Nominating Committee. The Committee recommends to the Board the action, if any, to be taken with respect to the offer to resign.

#### ***Service on Other Boards***

Ordinarily, directors may not serve on the boards of more than four other publicly traded companies in addition to the Company’s Board. Directors should also advise the Chairperson of the Nominating Committee in advance of accepting an invitation to serve on another corporate board. The Chairperson of the Nominating Committee is authorized to make reasonable exceptions regarding service on other Boards.

## **2. FUNCTIONING OF THE BOARD**

### ***Agendas***

The Chairman of the Board in consultation with the CEO establishes the agenda for each Board meeting. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the Chairperson of that committee. Directors are encouraged to suggest the inclusion of items on the agenda. Directors also are free to raise subjects at a Board meeting that are not on the agenda for that meeting.

### ***Distribution and Review of Board Materials***

Board materials related to agenda items are provided to directors sufficiently in advance of Board meetings to allow directors to review and prepare for discussion of the items at the meeting. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at the Board meeting.

### ***Executive Sessions of Independent Directors***

The independent directors meet in executive session without management present at least twice each year. The Chairman of the Board presides at executive sessions.

### ***Strategic Planning***

The Board reviews the Company's long-term strategic plan and business unit initiatives at least annually.

## **3. STRUCTURE AND FUNCTIONING OF COMMITTEES**

### ***Number, Structure and Independence of Committees***

The Board's standing committees include: Audit, Nominating, and Compensation Committees, a Special Litigation Committee, and a Strategic Growth Committee. The Board may also establish and maintain other committees from time to time as it deems necessary and appropriate.

Each of the Audit Committee, Compensation Committee, Nominating Committee, and Special Litigation Committee consists solely of independent directors. In addition, directors who serve on the Audit Committee must be "independent" within the meaning of the NASDAQ criteria and other applicable rules and regulations.

The Audit Committee is responsible for overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements. The Audit Committee consists of at least three independent directors. One member of the Audit Committee is selected by the Board to serve as Chairman of the Audit Committee. At least one of the members of the Audit Committee is to be an "audit committee financial expert", as such term is defined under the rules and regulations of the Securities and Exchange Commission.

The Nominating Committee is responsible for establishing processes and procedures for the identification and nomination of directors and recommending to the Board qualified director

nominees. The Nominating Committee's criteria include business and industry experience, skills, level of education, business acumen, understanding of the Company's business and industry, strategic thinking and willingness to share ideas, network of contacts, diversity of experiences, expertise and backgrounds among Board members, and independence. The Nominating Committee considers these criteria in the context of the perceived needs of the Board as whole and seeks to achieve a diversity of occupational and personal backgrounds on the Board. The Nominating Committee does not have a formal policy for consideration of director candidates recommended for selection as a nominee for election to the Board by the Company's other than that the Nominating Committee will evaluate stockholder-recommended candidates using the same criteria as internally generated candidates.

The Compensation Committee recommends to the Board of Directors the salary and bonus for the Chief Executive Officer, other named executive officers, and on occasion, certain other members of management of the Company. The Compensation Committee also administers the Company's 2008 Stock Option Plan, as amended.

### ***Assignment of Committee Members***

The Board establishes the committees' size, structure, composition and functioning, all in accordance with any applicable charter. The Nominating Committee recommends to the Board the directors to be appointed as members of the Company's Audit Committee. The criteria used by the Nominating Committee in making such recommendation include experience, skills, other Board responsibilities, performance and contribution on other committees and potential to be an effective member of the Audit Committee with its other members.

### ***Responsibilities***

The Audit, Compensation and Nominating Committees operate under written charters that set forth the purposes and responsibilities of those committee as well as qualifications for committee membership. The Audit, Compensation and Nominating Committees periodically assess the adequacy of their charter and recommend changes to the Board as appropriate. All committees report regularly to the full Board with respect to their activities.

### ***Meetings and Agendas***

The Chairperson of each committee, in consultation with the Chairman of the Board, determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings where necessary to allow the members to review and prepare for discussion of the items at the meeting.

## **4. DIRECTOR ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISORS**

At the invitation of the Board, members of senior management may attend Board meetings or portions of meetings for the purpose of presenting matters to the Board and participating in discussions. Directors also have full and free access to other members of management.

The Board has the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions. Each of the Audit,

Nominating, Compensation and Special Litigation Committees has similar authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

#### **5. DIRECTOR COMPENSATION; STOCK OWNERSHIP GUIDELINES**

The full Board annually reviews and sets the compensation of directors. Non-management directors receive a combination of cash and equity compensation for service on the Board.

Directors are expected to own stock in the Company in an amount that is appropriate for them.

#### **6. SUCCESSION PLANNING**

The Board plans for succession to the position of CEO as well as certain other senior management positions. The CEO reports to the Board periodically on succession planning and management development and provides the Board with recommendations and evaluations of potential successors. The CEO makes available to the Board, on a continuing basis, recommendations regarding who should assume the positions of CEO in the event that he or she becomes unable or unwilling to perform the duties of this position.

#### **7. FORMAL EVALUATION OF THE CEO**

The Compensation Committee is responsible for recommending to the Board of Directors the annual and long-term performance goals for the CEO, evaluating the CEO's performance against those goals, and the CEO's compensation. Both the goals and the evaluation are shared with the CEO and used by the Compensation Committee in setting the CEO's compensation.

#### **8. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

The Company has an orientation process for Board members that is designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

#### **9. ANNUAL PERFORMANCE EVALUATIONS**

The Board and the Audit, Nominating and Compensation Committees conduct annual evaluations to assess their performance. In addition, the ability of individual directors to contribute to the Board is considered annually.