KMG AMERICA CORPORATION

CORPORATE GOVERNANCE GUIDELINES

December 21, 2004
Amended as of February 27, 2006

Pursuant to Section 13.1 -689 of the Virginia Stock Corporation Act and Article III of the Bylaws of KMG America Corporation, a Virginia corporation (the "Corporation"), the following shall constitute the Corporate Governance Guidelines (the "Corporate Governance Guidelines") of the board of directors of the Corporation (the "Board"):

I. DIRECTOR QUALIFICATIONS

The Board will satisfy any independence requirement of the New York Stock Exchange as then in effect. The Corporate Governance and Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the Board's needs. Nominees for directorship will be selected by the Corporate Governance and Nominating Committee in accordance with the policies and principles in its charter. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Corporate Governance and Nominating Committee and the Chairman of the Board.

The Board presently has seven members. It is the sense of the Board that this size is appropriate and most effective. The Board would be willing to expand to a somewhat larger size, however, to accommodate the availability of an outstanding candidate.

It is not the sense of the Board that in every instance a director who retires or changes from the position he or she held when joining the Board should necessarily leave the Board. However, it is the sense of the Board that individual directors who change the responsibility they held when they were elected to the Board should volunteer to resign from the Board. Such a step provides an opportunity for the Board, through the Corporate Governance and Nominating Committee, to review the continued appropriateness of Board membership under the circumstances.

No director may serve on more than three other public company boards. Directors should advise the Chairman of the Board and the Chairman of the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve on another public company board. No director may be nominated to a new term if he or she would be age 72 or older at the time of the election.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they have the significant disadvantage of causing the Corporation to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and who, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Corporate Governance and Nominating Committee will review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

II. DIRECTOR RESPONSIBILITIES

The director's basic responsibility is to exercise his or her good faith business judgment of the best interests of the Corporation. In discharging that obligation, each director should be entitled to rely on the honesty and integrity of the Corporation's senior executives and its outside advisors and auditors absent evidence that makes such reliance unwarranted. The directors shall also be entitled (1) to have the Corporation purchase reasonable levels of directors' and officers' liability insurance on their behalf; (2) to the benefits of indemnification to the fullest extent permitted by law and the Corporation's Amended and Restated Articles of Incorporation, Bylaws and any indemnification agreements; and (3) to exculpation as provided by state law and the Corporation's Amended and Restated Articles of Incorporation.

Directors are expected to attend Board meetings and meetings of committees on which they serve, to spend the time needed and meet as frequently as necessary to discharge properly their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting. Directors should review these materials in advance of the meeting.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer (the "CEO"). The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Corporation for the Board to make a determination when it elects a new CEO. Notwithstanding the foregoing, the Board has no objection to Kenneth U. Kuk serving as both the initial chairman and CEO of the Corporation.

The Chairman will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of significant agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Board member is encouraged to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Corporation's long-term strategic plans and the principal issues that the Corporation will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. The director who presides at these meetings, and the process for determining who will preside, will be determined by the non-management directors, and the name of the chairman, or the process for designating the chairman, will be disclosed in the annual proxy statement or, if the Corporation does not file an annual proxy statement, in the annual report on Form 10-K. The independent directors will meet in executive session at least annually.

The Board believes that the management speaks for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. It is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

III. BOARD COMMITTEES

The Board will have at all times an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The members of these committees will comply with any requirements of the New York Stock Exchange as then in effect. Committee members will be appointed by the Board upon recommendation of the Corporate Governance and Nominating Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year each committee will establish a schedule of the principal agenda subjects to be discussed during the year (to the degree these can be foreseen). The agenda schedule for each committee will be furnished to all directors.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

IV. DIRECTOR ACCESS TO OFFICERS AND EMPLOYEES

Directors have full and free access to officers and employees of the Corporation and, as necessary and appropriate, to the Corporation's independent advisors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Corporation, or advise the CEO of any such oral communications.

The Board welcomes regular attendance at each Board meeting of the Corporation's senior officers. If the CEO wishes to have additional Corporation personnel attend on a regular basis, this suggestion should be brought to the Board for approval.

V. DIRECTOR COMPENSATION

The form and amount of director compensation will be determined by the Board based on a recommendation of the Compensation Committee in accordance with the policies and principles set forth in its charter. The Compensation Committee will conduct an annual review of director compensation. The Compensation Committee will consider that the directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Corporation makes substantial charitable contributions to organizations with which a director is affiliated, or if the Corporation enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

VI. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

All new directors must participate in the Corporation's orientation program, which should be conducted within two months of the annual meeting at which new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Corporation's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, these Corporate Governance Guidelines, its Code of Business Conduct and Ethics, its principal officers and its internal and independent auditors. In addition, the orientation program will include visits to Corporation headquarters and, to the extent practical, certain of the Corporation's significant facilities. All other directors are also invited to attend the orientation program.

VII. CEO EVALUATION AND MANAGEMENT SUCCESSION

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Corporation in the long- and short-term.

The Corporate Governance and Nominating Committee should make an annual report to the Board on succession planning. The entire Board will work with the Corporate Governance and Nominating Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

VIII. ANNUAL PERFORMANCE EVALUATION

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance and Nominating Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board can improve.

IX. CERTIFICATION

These Corporate Governance Guidelines, which were approved and adopted by the Board of the Corporation on the 20th day of December, 2004, were duly amended on the 28th day of February, 2006.

James E. Nelson

James E. Nelson
Secretary