

# Corporate Governance Guidelines

In addition to the By-laws, various resolutions and the Charters of its various committees, the Board of Directors (the “Board”) of the Company has adopted guidelines on significant corporate governance matters. Following is a description of those various elements that together create the corporate governance standards for the Company.

## I. The Board of Directors and Executive Officers

- The By-laws of the Company provide that the Board shall consist of twelve persons except that the Board may increase or decrease the number from time to time, but may never have less than three persons. The directors are classified into three classes of as equal size as possible, with the classes to serve staggered three-year terms. There are currently twelve directors.
- The majority of the Board must be independent using the definitions provided by law or regulation. The Committee on Governance/Directors reviews the independence of directors no less than annually. Nine of the current twelve directors are independent.
- Each director shall be deemed to have submitted a resignation effective on the day that the director attains the age of 72 years, with the exception that a director who also is an officer of the Company or any of its subsidiaries may continue as a director until such time as he retires or resigns as an officer of such entities.
- The Committee on Governance/Directors is responsible for the establishment of membership criteria after consultation with the Board. The invitation to join the Board shall be extended by the Chairman of the Board.
- The Board believes that Directors should volunteer to resign from the Board upon a change in position from the position held when they were elected to the Board. It is not the intention of the Board to mandate resignation, but rather to provide an opportunity for the Board to review the appropriateness of membership under the changed circumstances.
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- The Board believes that Directors should volunteer to resign at such time as any loan to the Director, or any related interest of the Director, by any subsidiary of the Company shall be classified as sub-standard, by either Company management or by bank examiners.
- The Board believes that directors should be stockholders and have a financial interest in the Company. While the Board does not believe it appropriate to specify the level of ownership, it is expected that each director will develop a meaningful ownership position during their tenure. The Board feels that ownership of 7,500 shares is meaningful and should be strived for over a period of time. The Company has adopted a Stock Purchase Plan for Non-Employee Directors that encourages such ownership.
- The Board believes that executive officers should be stockholder and have a financial interest in the Company. The Board has approved a policy that requires stock ownership as follows:

- Senior Vice Presidents equal to salary
- Executive Vice President equal to twice salary
- Vice Chairman equal to four times salary
- President and Chief Executive Officer equal to six times salary
- The Board has approved Codes of Ethics for all employees of the Company and additional items for ethical conduct for other areas, including senior financial officers and investment professionals. Regular training on the Code of Ethics is mandatory for all officers. The Company has retained a third party provider to enable employees to make complaints anonymously. Provisions of the Corporate Code of Ethics apply to Directors. The Code of Ethics shall be posted on the Company's website.

## **II. Board Meetings-**

- The Board has four regularly scheduled meetings per year. In addition, special meetings may be called from time to time as determined by business necessity. It is the responsibility of Directors to attend meetings.
- The Chairman of the Board, in consultation with the Committee on Governance/Directors, sets the agenda for Board meetings. Certain items necessary for appropriate Board oversight must appear regularly on the agenda. Board members may request that particular matters be placed on the agenda.
- From time to time, usually in January of each year, there is an extended meeting to review the Company's long-term strategic and business plans.
- The Board encourages the attendance of members of management at Board meetings to (i) provide management insight into items being discussed or considered by the Board; (ii) make presentations to the Board on matters which involve the manager's area; and (iii) bring managers with high potential into contacts with the Board. In addition, Board members have access to Company management.
- At any meeting of the Board, the independent members of the Board have the opportunity to meet in executive session, without any member of management present. The Chairman of the Committee on Governance/Directors or such other person as the independent directors may select shall assume the responsibility of chairing such meetings. The Board meeting in executive session may request the attendance of members of management for the purpose of providing information or delivering reports. The Board currently has executive sessions during three of the four meetings.
- Management shall make every effort to provide presentation materials to the Board in advance of the meeting unless doing so would compromise the confidentiality of competitive or sensitive information. Under normal circumstances presentation materials should be delivered to the Board at least five days in advance of the meeting. Management should make every effort to provide materials that are concise and to the point, yet contain all essential information.

## **III. Committees-**

- The Committees of the Board consist of the Executive Committee, Audit Committee, Compensation and Human Resources Committee, and Committee on Governance/Directors.

- The By-Laws specify the adoption of an Executive Committee that consists of the Chairman of the Board, the President, and such other directors as the Board shall determine. The Executive Committee consists currently of three independent directors and two non-independent directors. The purpose of the Executive Committee is to function with the powers of the Board between regular meetings and in instances where special meetings of the Board are not warranted under the circumstances.
- The Audit Committee consists of at least three independent directors or such other number of independent directors as the Board may determine. There are currently five independent directors on the Audit Committee. The Audit Committee assists the Board in its oversight of the integrity of the Company's financial statements and its financial reporting and disclosure practices, the soundness of its internal financial and accounting controls, the independence and performance of its internal and independent auditors and the soundness of its ethical and compliance programs. The Audit Committee is also charged with the retention of independent auditors. The Audit Committee has adopted its own Charter. The Audit Committee meets quarterly.
- The Compensation and Human Resources Committee has responsibility for the Company's compensation-related policies and programs for executive management and the level of compensation and benefits of officers and key employees. The Committee shall also consider the Company's management succession planning and shall review the succession plans for executive officers no less than annually. The Chairman of the Committee shall report on its meetings to the Board of Directors. The Committee consists of independent directors only. The Committee has adopted its own Charter.
- The Committee on Governance/ Directors is comprised of not less than three independent directors. The Chairpersons of the Audit Committee and the Compensation and Benefits Committee shall be members of the Committee. Those Chairpersons together with two other independent directors currently comprise the Committee. The purpose of this Committee is, in part, to help ensure that the Board receives sufficient information to meet its traditional duties and its governance obligations. The Committee on Governance/Directors has adopted its own Charter. The Committee is responsible for:
  - The review of director independence.
  - The recruitment of directors.
  - The establishment of the agenda for the annual stockholder's meeting.
  - In conjunction with the Chairman of the Board, the determination of agenda items and management presentations to the Board.
  - The annual assessment of the Board's performance.

#### **IV. Publication of Corporate Guidelines**

The Board believes that these Guidelines should be made available to the Company's shareholders and investors. Management is authorized to make these Guidelines and the Committee charters available on the Company website and in other published material.