



## Corporate Governance Principles

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Effective December 15, 2006  
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#### 1. Roles and Responsibilities of the Board of Directors.

1.1. Role of the Board of Directors. The Board of Directors is elected by the stockholders to oversee the management of the Company. The Board of Directors should strive to create an environment that allows management to increase the intrinsic value of the Company.

1.2. Responsibilities. In order to fulfill its responsibilities of overseeing the management of the Company, the Board of Directors should perform the following specific tasks:

- o Engaging a CEO to manage the Company, monitoring the performance of the CEO, and approving the CEO's compensation;
- o Overseeing the integrity of the financial statements and the Company's financial reporting processes, and the adequacy of the Company's internal controls;
- o Reviewing and monitoring a management succession plan;
- o Reviewing and approving the compensation of executive officers other than the CEO;
- o Reviewing and approving significant corporate actions and advising management on significant issues;
- o Nominating directors, appointing committee members and shaping effective corporate governance;
- o Assessing the performance of the Board of Directors and its committees;
- o Overseeing legal and ethical compliance; and

1.3. Independence. The Board of Directors currently has five members. The majority of the members of the Board of Directors are independent directors. An independent director is one who meets the NASDAQ Market Place Rules ("NASDAQ") definition of "independent director." This independence should be in both fact and appearance so as to promote arms-length oversight. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating Committee.

1.4. Director Qualifications. The Nominating Committee is responsible for reviewing annually with the Board of Directors the qualifications for membership on the Board of Directors. The Board believes that it is in the best interests of the Company and its stockholders to identify and select highly-qualified candidates to serve as directors and for the Board of Directors to be comprised of a diverse group of individuals with different backgrounds and perspectives. The Nominating Committee reviews director candidates in light of the Board membership qualifications and recommends candidates to the Board for election by the Company's stockholders at the annual meeting. The Committee considers nominations by Company shareholders that recommend candidates for election to the Board in compliance with the procedures described in the Company's proxy statement. The Committee also recommends candidates for appointment by the Board as necessary to fill vacancies and newly created directorships. All nominations or appointments of new directors must be approved by a majority of the independent directors.

1.5. Change in Principal Occupation. When a director's principal occupation or business association changes substantially during the director's tenure on the Board of Directors, the director must promptly notify the Nominating Committee. The Nominating Committee evaluates the propriety of continued service on the Board of Directors and recommends to the Board of Directors the action, if any, to be taken with respect to the notice.

1.6. Service on Other Boards. Directors are encouraged to limit the number of other boards on which they serve so as not to interfere with their service as a director of the Company. Directors should also advise the chair of the Nominating Committee and the Chief Legal Officer of the Company in advance of accepting an invitation to serve on another corporate board.

## 2. **Board of Directors' Meetings and Communications.**

- 2.1. Meetings. The Board of Directors meets as necessary, but no less than five times a year.
- 2.2. Agendas. The Corporate Secretary will work with the CEO and the Board to set the agenda for each Board of Directors meeting. Directors are encouraged to suggest the inclusion of items on the agenda. Directors are also free to raise subjects at a Board of Directors meeting that are not on the agenda for that meeting.
- 2.3. Distribution of Board Materials. Materials related to agenda items generally are distributed one week prior to each Board meeting, unless timing or the sensitivity of information dictates that the information be presented only at a meeting.
- 2.4. Executive Sessions of Independent Directors. The independent directors meet regularly in executive sessions at which only independent directors are present. The independent directors shall appoint one independent director to preside at the executive sessions.
- 2.5. Access to Senior Management. The Board of Directors should have access to the information and personnel it needs to perform its duties.
- 2.6. Communications from Management. The Board of Directors shall be notified immediately upon (a) receipt of any communication from the SEC, IRS or any regulatory agency outside of the normal course of business (b) notice of any material pending or threatened litigation or (c) the occurrence of any other situation which might result in a significant loss or other exposure to the Company.
- 2.7. Access to Outside Advisors. The Board of Directors 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 and Governance, and Compensation Committees has similar authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

## 3. **Committees.**

- 3.1. Number, Structure and Independence of Committees. The Board of Directors has three standing committees, an Audit Committee, a Compensation Committee and a Nominating Committee. These Committees consist solely of independent Directors. In addition, members of the Audit Committee must meet additional independence criteria applicable to audit committee members under NASDAQ rules. The Board of Directors may also establish and maintain other committees from time to time as it deems necessary and appropriate.
- 3.2. Assignment of Committee Members. Committee members and chairs are recommended to the Board of Directors by the Nominating Committee and appointed by the full Board of Directors.
- 3.3. Responsibilities. Each standing committee operates under a written charter that sets forth the purposes and responsibilities of the committee and qualifications for committee membership. Each standing committee assesses the adequacy of its charter annually and recommends changes to the Board of Directors as appropriate. All committees report regularly to the full Board of Directors with respect to their activities.
- 3.4. Meetings and Agendas. The chairperson of each committee, in consultation with other directors and management as appropriate, 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 to allow the members to review and prepare for discussion of the items at the meeting.

4. **Director Compensation; Stock Ownership Guidelines.** The Compensation Committee annually reviews the compensation of directors. Director compensation is set by the Board of Directors based upon the recommendation of the Committee. Non-management directors receive a per meeting cash payment as compensation for service on the Board of Directors. Management directors do not receive additional compensation for service on the Board of Directors. The Nominating Committee can make a recommendation to the Board of Directors for equity compensation to a director if, in the Committee's opinion, such compensation is needed in order to recruit a director to the Board.
5. **Succession Planning.** The Board of Directors reviews succession plans for the position of CEO as well as certain other senior management positions. The CEO reports to the Board of Directors periodically on succession planning and management development and provides the Board with recommendations of potential successors. The CEO also makes available to the Board of Directors, on a continuing basis, recommendations regarding who should assume the position of CEO in the event that he or she becomes unable or unwilling to perform the duties of this position.
6. **Evaluation of the CEO.** The Board is responsible for evaluating the CEO's performance. The results of the evaluation are shared with the CEO and used by the Compensation Committee in considering the CEO's compensation, which is approved by the independent directors meeting in executive session.
7. **Director Orientation and Continuing Education.** The Company will provide an orientation process for new a director that is designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board of Directors encourages directors to participate in education programs.
8. **Annual Performance Evaluations.** The Board of Directors conducts an annual evaluation to assess the effectiveness of the Board and its committees.