



## **Corporate Governance Guidelines**

### **Role of the Board and Director Responsibilities**

Except for matters requiring action by the stockholders, the Board of Directors is the ultimate decision-making body of the Company. Directors are expected to devote sufficient time to the Board and its committees to carry out their duties and responsibilities effectively. It is expected that each Director will be available to attend all meetings of the Board and any committees on which the Director serves, as well as the Company's Annual Meeting of Stockholders. Each Director is expected to take steps reasonably necessary to enable the Director to function effectively on the Board and Committees on which the Director serves, including becoming and remaining well informed about the Company, the industry, and business and economic trends affecting the Company. Each Director is also expected to take steps reasonably necessary to keep informed on principles and practices of sound corporate governance and is expected to adhere to the Company's Code of Conduct.

### **CEO as Director**

It is a long-standing Company practice for the Chief Executive Officer to serve on the Board. In addition, the current Chief Executive Officer's offer letter provides that he may terminate his employment with the Company and be entitled to severance benefits if the Company fails to nominate him to stand for election as a Director for so long as he is its Chief Executive Officer and an incumbent Director, unless such nomination is prohibited by law or by any applicable listing standard.

### **Selection of Chairman**

The Board annually appoints a Chairman and a Vice Chairman. All Directors, including the Chief Executive Officer, are eligible to serve as Chairman. If a non-independent Director is selected as Chairman, a Vice Chairman selected from among the independent Directors will preside over all meetings at which the Chairman is not present, including executive sessions of the independent Directors. Currently, both the Chairman and Vice Chairman are independent Directors.

### **Board Size**

The Nominating and Governance Committee considers and make recommendations to the Board concerning the size of the Board.

### **Director Independence**

The Company's policy is that the Board consist of a majority of independent Directors. With the Nominating and Governance Committee taking the lead, the Board assesses each Director candidate with respect to independence as defined by relevant Securities and Exchange Commission and Nasdaq Stock Market rules. Relevant facts and circumstances are considered to determine if there are any interests that would materially impair a candidate's ability to exercise independent judgment or otherwise discharge the fiduciary duties owed as a Director to the Company and its stockholders.

### **Selection of Candidates for Director**

The Company seeks to promote an appropriate diversity on the Board of professional background, experience, expertise, perspective, age, gender, and ethnicity. The Board has adopted a *Director Nominations Policy* which provides, among other things, that the following criteria are to be used in identifying and evaluating candidates for the Board:

- Integrity
- Absence of Conflicts of Interest
- Ability to represent all stockholders fairly and equally
- Demonstrated achievement in one or more fields of business, professional, governmental, communal, scientific or educational endeavor
- Sound judgment, borne of management or policy-making experience that demonstrates an ability to function effectively in an oversight role
- Appreciation of major issues facing public companies of a size and operational scope similar to the Company, including regulatory obligations and governance concerns of a public issuer; strategic business planning; competition in a global economy; and basic concepts of corporate finance

- Available Time (see below regarding Director Service on Other Boards)

In addition to the threshold criteria listed above, the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience and expertise, the composition of the Board at the time, and other relevant circumstances are also considered. The initial assessment of candidates is made by the Nominating and Governance Committee, with the final selection being made by the full Board. The Director Nominations Policy, which includes procedures governing stockholder nominations of Director candidates, is posted on the Company's website.

### **Director Retirement and Term Limits**

The Company does not have a policy establishing term limits or a mandatory retirement age for Directors. The Board believes that continuing service of qualified incumbents promotes stability and continuity, contributing to the Board's ability to work as a collective body, while giving the Company the benefit of the familiarity and insight into the Company's affairs that its Directors have accumulated during their tenure. Accordingly, it is the general policy of the Company to re-nominate qualified incumbent Directors.

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

The Board believes that service on the boards of other companies, and of civic and charitable organizations, enhances the experience and perspective of Directors. However, Directors are encouraged to limit the number of other boards on which they serve in order to avoid the possibility of time or business conflicts and to maximize their participation and effectiveness on the Board.

Directors are expected to advise the Company in advance of accepting an invitation to serve on the board of another public company or any assignment to the audit committee or compensation committee of the board of any public company.

To ensure that all members of the Board have sufficient time to devote proper attention to their responsibilities to the Company, Directors are subject to the following limitations unless the Board determines that simultaneous service on additional boards would not impair the Director's ability to serve effectively on the Company's Board:

- Directors who are executive officers of the Company may serve on the boards of no more than two other public or private companies with the approval of the Board
- Directors who are chief executive officers or senior executives of public corporations or large non-profit entities may serve on the Boards of no more than three other public companies
- All other Directors may serve on the boards of no more than four other public companies

The Nominating and Governance Committee takes into account the nature and time involved in serving on other boards when assessing Director candidates.

### **Voting for Directors**

#### **A. Majority Election of Directors; Procedure for Director Resignation**

- a. In an uncontested election of Directors (i.e., an election where the only nominees are those recommended by the Board), any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election by stockholders present in person or by proxy at the Annual or Special Meeting of the Stockholders and entitled to vote in the election of Directors ("Majority Withheld Vote"), will tender a written offer to resign from the Board within five business days of the certification of the stockholder vote by the Inspector of Elections.
- b. The Nominating and Governance Committee will promptly consider the resignation offer and recommend to the full Board whether to accept it. In considering whether to accept or reject the resignation offer, the Nominating and Governance Committee will consider all factors deemed relevant by members of the Nominating and Governance Committee, including, without limitation, (i) the perceived reasons why stockholders withheld votes 'for' election from the Director, (ii) the length of service and qualifications of the Director, (iii) the Director's contributions to the Company, (iv) compliance with any applicable Securities and Exchange Commission rules or Nasdaq listing standards, (v) possible contractual ramifications in the event the Director in question is a management Director or a Director nominated by a principal stockholder, (vi) the purpose and provisions of these principles, and (vii) the best interests of the Company and its stockholders.

- c. To the extent that a Director's resignation is accepted by the Board, the Nominating and Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.
- d. Any Director who tenders his or her offer to resign from the Board pursuant to this provision will not participate in the Nominating and Governance Committee or Board deliberations regarding whether to accept the offer of resignation. If each member of the Nominating and Governance Committee received a Majority Withheld Vote at the same election, then the independent Directors who did not receive a Majority Withheld Vote shall appoint a special committee amongst themselves to consider the resignation offers and to recommend to the Board whether to accept them. If the only Directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer Directors, all Directors may participate in the action regarding whether to accept the resignation offers.
- e. The Board will act on the Nominating and Governance Committee's recommendation within 90 days following the certification of the stockholder vote by the Inspector of Elections, which action may include, without limitation, acceptance of the offer of resignation, adoption of measures intended to address the perceived issues underlying the Majority Withheld Vote, or rejection of the resignation offer. Thereafter, the Board will disclose its decision whether to accept the Director's resignation offer and the reasons for rejecting the offer, if applicable, in a current report on Form 8-K to be filed with the Securities and Exchange Commission within four business days of the Board's determination.
- f. This process relating to nominees for Directors who receive a Majority Withhold Vote will be summarized and included in each proxy statement relating to an election of Directors of the Company. The Board believes that this process enhances accountability to stockholders and responsiveness to stockholders votes, while allowing the Board appropriate discretion in considering whether a particular Director's resignation would be in the best interests of the Company and its stockholders.

**B. Contested Elections of Directors/Director Vacancies**

In accordance with the Company's Bylaws, in the event of a contested election (i.e. an election where there are more nominees presented for election than those recommended by the Board of Directors), Directors are elected by the vote of a plurality of the votes cast. That is, at each election the persons receiving the greatest number of votes, up to the number of Directors then to be elected, are the persons then elected as Directors. The Company's Bylaws also provide for the filling of vacancies, generally by vote of the majority of the remaining Directors.

### **Annual Meeting Attendance**

All Board members are expected to attend the Annual Meeting of Stockholders unless health, family or other important personal matters prohibit such attendance.

### **Change in Director Occupation**

A Director who experiences a change in principal occupation or business association will promptly notify the Chairman or Vice Chairman of the Board. The Nominating and Governance Committee will review the circumstances surrounding the change and will recommend to the Board the action to be taken, if any.

### **Director Compensation**

The Compensation Committee from time to time reviews and makes recommendations to the Board with respect to compensation of the non-employee members of the Board. Compensation for non-employee Directors was last adjusted in June 2007, at which time the Directors were moved from all equity-based compensation (stock options) to a mix of cash, stock options, and restricted stock units.

### **Ownership Requirements and Awards**

The Board has not established a required or mandatory level of stock ownership for Directors. The Board has adopted Director Stock Ownership Guidelines which encourage non-employee Directors to acquire and hold stock of the Company, at a designated target tied to the Director's annual cash retainer. The Director Stock Ownership Guidelines are published on the Company's website.

### **Director Orientation and Continuing Education**

An orientation program is provided for new Directors and the Company periodically allocates Board meeting time to receive updates on corporate governance issues, including legal and regulatory changes and "best practices." Each Director is expected to take steps reasonably necessary to enable the Director to function effectively on the Board and Board committees on which the Director serves, including becoming and remaining well informed about the Company, the industry, and business and economic trends affecting the Company. Each Director is also expected to take steps reasonably necessary to keep informed on principles and practices of sound corporate governance. The Company provides each Director with membership in the National Association of Corporate Directors. Each Director is required to participate, at the Company's expense, in a

minimum amount of Director education during a given two-year period. The “two year” period will be the period ending each even numbered fiscal year of the Company. More frequent education on relevant topics is encouraged.

## **Executive Sessions**

An executive session (meeting of the independent Directors without management present) is generally held after each regularly scheduled Board meeting. The executive sessions are chaired by the Chairman of the Board, or the Vice Chairman if the Chairman is not independent, and include such topics as the independent Directors determine. The executive sessions are followed by a discussion among one or more of the independent Directors and the Chief Executive Officer.

## **Committees**

The Nominating and Governance Committee considers and make recommendations to the Board concerning the number and nature of the Board's committees, member assignments and rotation, and committee chairs. Committee assignments and designations of committee chairs are made annually by a vote of the Board at the organizational meeting of Directors held in conjunction with the Annual Meeting of Stockholders.

The Board currently has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee. The Board has adopted a written charter for each such committee. The charters, which are posted on the Company's website, include membership criteria, authorities and responsibilities. The Charters of the Audit Committee, Compensation Committee, and Nominating and Governance Committee require members to be independent Directors. Each Director is expected to contribute significantly to the work of the Committees on which the Director serves.

From time to time the Board may also establish special committees.

## **Board and Committee Meetings and Agendas**

The Company's practice is to establish the calendar of regular Board and standing Committee meetings at least one year in advance. Agendas are set on a cooperative basis by the relevant Chair, the Chief Executive Officer, the Chief Financial Officer, and the Company Secretary. Any Director may make suggestions as to agenda items.

## **Materials for Board and Committee Meetings**

Materials related to agenda items are generally provided in advance of meetings by posting on the Board's web portal. Some information may be distributed at the meeting.

## **Attendance of Non-members at Board and Committee Meetings**

Members of senior management routinely attend meetings to present information and participate in discussions of matters in their area of responsibility. From time to time outside advisors or other third parties attend by invitation. All Committee meetings are open to all interested Directors.

## **Director Access to Management and Independent Advisors**

The Board and each of its committees is authorized to (i) have full and unrestricted access to all personnel, records, operations, properties, and other information and resources of the Company as required to discharge its duties and responsibilities properly, and (ii) direct and supervise an investigation into any matter within the scope of its duties. The Board and each of its committees also have the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties. The Company provides for the appropriate funding, as determined by the Board or committee, for payment of (i) compensation to any such counsel and other advisors it engages and (ii) ordinary administrative expenses necessary or appropriate in carrying out its duties.

The selection of compensation consultants who will advise the Compensation Committee, as well as the compensation and other terms of any engagement of such consultants, are subject to the approval of the Compensation Committee. Once a consultant has been selected, management is authorized, on behalf of the Company, to enter into an engagement letter with such consultant on the terms approved by the Compensation Committee. As to any such consultant that has been so engaged, management must notify the Compensation Committee in advance of any proposed engagement of that consultant by management or by the Company generally as to work that exceeds the scope of the engagement approved by the Compensation Committee.

## **Board and Committee Self-Evaluation**

The Nominating and Governance Committee at least annually reviews, discusses and assesses the performance and effectiveness of the Board and the individual Directors and makes relevant recommendations to the Board. Each Committee conducts an annual self-evaluation. The Nominating and Governance Committee considers the self-evaluations of the other Committees and evaluates the need for any restructuring of the committees.

### **Evaluation of Chief Executive Officer**

The Compensation Committee at least annually reviews and approves goals and objectives for the Chief Executive Officer and evaluates the Chief Executive Officer's performance against those goals and objectives. The Compensation Committee seeks and considers input from the other Directors with respect to the Chief Executive Officer's annual and long-term performance goals and the Chief Executive Officer's performance.

### **Succession Planning**

The Compensation Committee is responsible for reviewing the management development programs and succession plans presented by the Chief Executive Officer and the Senior Vice President of Human Resources. The Chief Executive Officer is selected by the Board.

### **Communication with Stakeholders**

Management has the primary responsibility to communicate with investors, the press, employees, customers, suppliers, and other constituencies.

A process for stockholders to send communications to the Board, including procedures for collecting, organizing, and otherwise handling such communications, has been adopted by a majority of the independent members of the Board. Stockholders may communicate with the Board, or any Committee or Director, about Company business by writing to such party in care of the Company Secretary at the Company's headquarters at 200 Flynn Road, Camarillo, California, 93012-8790. Stockholders are encouraged to include evidence of their holdings with their communications.

In addition, the Nominating and Governance Committee has established procedures for stockholders to nominate candidates for the Board and the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

### **Review of Corporate Governance Principles**

The Nominating and Governance Committee is responsible for developing, overseeing the effectiveness of, periodically reviewing, and recommending to the Board changes to the Company's Corporate Governance Guidelines.

REVISED GUIDELINES ADOPTED 15 MAY 2014