

**Adopted May 26, 2004**

# **GOVERNANCE POLICY**

## Table of Contents

	<u>Page</u>
A. Composition of the Board.....	1
B. Board Leadership.....	3
C. Board Compensation and Performance .....	4
D. Board of Directors' Responsibilities.....	4
E. Management's Responsibilities .....	6
F. Board Relationship to Senior Management .....	8
G. Meeting Procedures .....	8
H. Committee Matters.....	9
I. Miscellaneous .....	10

---

Exhibit A – Code of Business Conduct and Ethics

# Governance Policy

## A. Composition of the Board

### 1. Size of the Board

Consistent with the Company's bylaws, the Board believes that the size of the Board generally should be seven directors. A somewhat larger number of directors may be appropriate from time to time in order to accommodate the availability of one or more outstanding candidates.

### 2. Board Membership Criteria

The Board believes that all candidates for Board membership should have the highest personal and professional integrity. The Board further believes that as a general rule, Board candidates should be persons who have demonstrated exceptional ability, diligence and judgment.

The Nominating Corporate Governance Committee (the "Governance Committee") is responsible for articulating and refining specific criteria for Board membership to supplement the more general criteria set forth in this policy regarding such matters as integrity, independence, diligence and the like. Also, the Governance Committee is responsible for evaluating on an ongoing basis all directors and director candidates, including candidates nominated by shareholders or shareholder groups, based on such general and specific criteria and for seeking to assure that specific talents, skills and other characteristics that are needed to increase the Board's effectiveness are possessed by an appropriate combination of directors.

### 3. Proportion and Determination of Independent Directors

The Board believes that as a matter of policy Independent Directors (as defined herein) should comprise at least a majority of the Board. This shall not, however, prevent the Board from taking valid actions if, due to a temporary vacancy or vacancies on the Board, there are fewer than the intended proportion of Independent Directors. Any such vacancies should be filled as soon as reasonably practicable.

#### (a) Independence Generally

An "Independent Director" is one who satisfies the criteria for independence established from time to time by the primary national securities exchange or market on which the Company's securities are listed or traded (without regard to any more stringent criteria established for membership on the Audit Committee).

Ownership of a significant amount of the Company's stock does not necessarily preclude a determination of independence.

**(b) Additional Independence Criteria for Audit Committee Members**

In addition to being an Independent Director, as defined above, each member of the Company's Audit Committee must satisfy the additional independence criteria for membership on the Audit Committee established by applicable regulations, including the rules of any national securities exchange or market on which the Company's securities are listed or traded.

**(c) Materiality Determination Based on Facts and Circumstances**

In assessing the materiality of any existing or proposed director's relationship with the Company, the Board shall consider all relevant facts and circumstances. Material relationships can include, but are not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The Board should evaluate materiality not only from the perspective of the director, but also from that of persons and organizations with which the director has a relationship. In any event, however, except as set forth above, the Board retains the discretion at all times to make determinations of independence, and the Board's determination in any specific instance shall be final.

**4. Selection of Directors**

The Board and the Governance Committee should be responsible, in actual practice and not merely as a procedural formality, for selecting nominees for the Board and in recommending them for election by the shareholders. The Board has delegated the selection and initial evaluation of potential directors to the Governance Committee.

The Board shall be responsible for determining the qualification of an individual to serve on the Audit Committee as a designated "audit committee financial expert," as defined by applicable rules of the SEC promulgated under Section 407 of the Sarbanes-Oxley Act. In light of this responsibility of the Board, the Governance Committee should coordinate closely with the Board in screening any new candidate and in evaluating whether to re-nominate any existing director who might be considered to serve in this capacity.

An invitation to join the Board should be extended by the Board itself, through its Chairman of the Board if he or she is an Independent Director and/or the Chairman of the Governance Committee, together, in each case, with the Chief Executive Officer of the Company.

**5. Service on other Boards**

A director should not serve on the board of directors of more than five (5) publicly traded companies. There is no pre-determined limit on the number of boards of privately held companies on which directors of the Company may serve. However, the Governance Committee will take into account the nature of and time involved in an individual's service on other boards (considering, among other factors, the specific board committees on which he or she sits) in evaluating the individual's suitability for the Board.

Individual directors are expected to use their judgment in accepting other directorships and to allow sufficient time and attention to Company matters.

## **6. Directors Who Change Their Corporate Affiliations**

Any director who changes his or her employer or otherwise has a significant change in job responsibilities shall give written notice to the Board, specifying the details, as soon as feasible and shall tender to the Board a letter of resignation resigning from the Board and from each Board committee on which such director serves.

It may not be necessary in every instance for a director who retires or has a significant change in position or job responsibilities to leave the Board and/or each Board committee on which such director serves. The tender of a letter of resignation as provided above, however, will provide an opportunity for the Board, through the Governance Committee, to review the continued appropriateness of such director's membership on the Board and each applicable Board committee under these circumstances, taking into account all relevant factors. In some instances, it may be appropriate for such person to be replaced as a member of one or more Board committees even if such person is retained as a director.

## **7. No Pre-Determined Term Limits**

In lieu of pre-determined term limits for directors, the Governance Committee shall evaluate each director's continued services on the Board in connection with each decision regarding whether such director should be re-nominated to the Board and at such other times as may be appropriate in particular circumstances. In connection with each decision regarding re-nominations, each director shall be given an opportunity to confirm his or her desire to continue as a member of the Board.

## **8. Retirement Age**

A retirement age of 70 is generally considered appropriate for the Company's directors, but the Board may decide to defer retirement on an annual basis in appropriate circumstances as it may determine after a director reaches age 70.

# **B. Board Leadership**

## **1. Selection of Chairman and Chief Executive Officer**

The Board should have flexibility to decide whether it is best for the Company at any particular point in time for the roles of the Chief Executive Officer and Chairman of the Board to be separate or combined and, if separate, whether the Chairman should be selected from the Independent Directors or be an employee.

## **2. Presiding Independent Director**

Whenever the Chairman of the Board is not an Independent Director, the Independent Directors may: (i) select from among themselves a continuing Presiding Independent

Director to preside at one or more separate meetings of the Independent Directors held pursuant to Section G.3 of this policy or (ii) adopt a procedure for selecting from among themselves a specific Presiding Independent Director to preside at each such separate meeting. Such Presiding Independent Director also may be responsible for representing the Independent Directors with respect to certain matters as to which the views of the Independent Directors are sought pursuant to specific provisions of this policy or otherwise in a manner consistent with this policy and with respect to such other responsibilities as the Independent Directors as a whole might designate from time to time. Unless another selection is made by the Independent Directors, the Chairman of the Governance Committee shall be the Presiding Independent Director.

## **C. Board Compensation and Performance**

### **1. Board Compensation Review**

It is appropriate for the staff of the Company to report on a periodic basis to the Compensation and Stock Option Committee (the “Compensation Committee”) regarding the status of the Company’s Board compensation in relation to other comparable U.S. companies. As part of a director’s total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a director’s compensation should be provided in, or otherwise based on, the value of or long-term appreciation in the Company’s common stock. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

### **2. Assessing the Performance of the Board as a Whole**

The Governance Committee is responsible for reporting on a periodic basis, but at least annually, to the Board regarding the Committee’s assessment of the performance of the Board as a whole. These reports shall be discussed with the full Board. Each assessment should specifically review areas in which the Board or management believes a better contribution could be made. The purpose of this assessment is to increase the effectiveness of the Board as a whole, not to focus on individual Board members.

## **D. Board of Directors’ Responsibilities**

The Company’s Board of Directors represents the shareholders’ interests in perpetuating a successful business and optimizing long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations. The Board is responsible for identifying and taking reasonable actions to help assure that the Company is managed in a way designed to achieve this result. Consistent with the importance of the Board’s responsibilities, each director is expected to be familiar with the Company’s business and public disclosures, to review in advance of Board meetings all related materials distributed to the Board and to attend and participate in meetings of the Board and meetings of any committee of which such director is a member. Each director is also expected to attend the Company’s annual meeting.

**1. Selection, Evaluation and Retention of Chief Executive Officer and Oversight of Selection and Performance of Other Executive Officers**

The Board, with assistance from the Governance Committee and the Compensation Committee, has the responsibility to select, set annual objectives for, evaluate the performance of and make decisions about the retention of the Chief Executive Officer, to oversee the selection and evaluation of the performance of other executive officers, to plan for management succession, and to monitor on a regular basis the effectiveness and execution of management strategies and decisions in optimizing the Company's long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations.

**2. Understanding, Reviewing and Monitoring Implementation of Strategic Plans and Annual Budgets**

The Board is responsible for overseeing and understanding the Company's strategic plans from inception through development and execution and should regularly monitor implementation of such plans to determine whether they are being implemented effectively and whether any changes are needed. The Board also is responsible for overseeing and understanding the Company's annual budgets (which shall be written) and for monitoring these budgets throughout each year.

**3. Selection and Oversight of Independent Auditors; Oversight of Financial Statements and Internal Control Over Financial Reporting**

The Audit Committee of the Board has sole responsibility to appoint, compensate and replace the independent accounting firm that audits the Company's financial statements and to pre-approve the engagement terms and the provision of any audit and non-audit services performed by such accounting firm for the Company. The Audit Committee shall have direct responsibility for monitoring the performance and independence of such accounting firm, as well as overseeing the process of financial statement preparation and reporting, and promoting the Company's goal that such financial statements fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable way. The Audit Committee shall also have responsibility for overseeing the implementation of internal control over financial reporting.

**4. Advising Management on Significant Issues**

The Board is responsible for utilizing the broad range of experiences and perspectives of directors to advise and counsel management, both in meetings and in informal consultations, on significant issues facing the Company.

**5. Review and Approval of Significant Company Actions and Certain Other Matters**

The Board is responsible under applicable laws and regulations to review and approve significant actions by the Company, including election of executive officers, declaration of dividends and major transactions. In addition, the Board is responsible for approving

certain actions by the Company as set forth in this policy and any other Company policies that may be adopted from time to time by the Board, or as otherwise required by any applicable national securities exchange or market on which the Company's securities are traded.

## **6. Nominating Directors and Committee Members and Overseeing Effective Corporate Governance**

The Board and the Governance Committee are responsible for (i) evaluating and nominating directors and members of Board committees, (ii) overseeing the structure and practices of the Board and the committees and (iii) overseeing other corporate governance matters, as more fully set forth in this policy and the charter of the Governance Committee.

## **7. Consideration of Other Constituencies**

In addition to fulfilling its obligation to increase shareholder value, the Board should consider the impact of various actions and decisions on the Company's customers, employees, suppliers and the communities where it operates – all of which are essential to a successful business.

## **E. Management's Responsibilities**

Management is responsible for operating the Company in an effective, ethical and legal manner designed to produce value for the Company's shareholders consistent with the Company's policies and standards, including this policy. Management also is responsible for enforcing and complying with mandatory provisions of the Company's policies and standards. Senior management is responsible for understanding the Company's income-producing activities, understanding the material risks being incurred by the Company and avoiding conflicts of interest with the Company and its shareholders.

### **1. Setting a Strong Ethical Tone**

Senior management, and especially the Chief Executive Officer, are responsible as the corporate leaders for setting a strong tone of integrity, ethics and compliance on the part of all persons associated with the Company, in each case in accordance with applicable legal requirements and with the Company's policies and standards.

### **2. Financial Statements and Disclosures**

Management is responsible for producing, under the oversight of the Board and the Audit Committee, financial statements that fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable way, for making timely and complete disclosures (both financial and non-financial) to investors, and for keeping the Board and the appropriate committees of the Board well-informed on a timely basis as to all matters of significance to the Company.

### **3. Strategic Planning**

The Chief Executive Officer and senior management are responsible for developing and presenting to the Board the Company's strategic plans and for implementing those plans as approved by the Board.

### **4. Annual Budgets**

The Chief Executive Officer and senior management are responsible for developing and presenting to the Board the Company's annual budgets and for implementing those budgets as approved by the Board.

### **5. Effective Management and Organizational Structure**

The Chief Executive Officer and senior management are responsible for selecting qualified members of management and for implementing and working within an effective organizational structure appropriate for the Company's particular circumstances.

### **6. Internal Control Over Financial Reporting**

Senior management is responsible for developing, implementing (with oversight from the Audit Committee) and monitoring an effective system of internal control over financial reporting to provide reasonable assurance that: the Company's business transactions are properly authorized and accurately recorded in reasonable detail that fairly reflects the transactions, and that the Company's assets are safeguarded against unauthorized or improper use or disposition. Such internal controls and procedures also shall be designed to provide reasonable assurance that the Company's records permit preparation of financial statements in conformity with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors.

### **7. Disclosure Controls and Procedures**

Senior management is also responsible for establishing, maintaining and evaluating the Company's "disclosure controls and procedures." The term "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. "Disclosure controls and procedures" also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the these reports is accumulated and communicated to the Company's management, including its principal executive and financial officers, to allow timely decisions regarding required disclosure.

**F. Board Relationship to Senior Management**

**1. Regular Attendance of Non-Director Executive Officers at Board Meetings**

Except as otherwise determined in particular circumstances by the Chairman of the Board, the Chief Executive Officer or any Presiding Independent Director, the Board welcomes the regular attendance at each Board meeting of the Company's executive officers who are not members of the Board.

**2. Board Access to Senior Management**

The Board (meeting as a whole, as well as the Independent Directors meeting separately and each director individually) and each Board committee shall have complete access to the Company's management. The Board encourages the executive officers from time to time to bring to Board meetings non-executive managers who can provide additional insight into the items being discussed because of personal involvement in these areas or who represent non-executive managers with future potential that senior management believes should be given exposure to the Board.

**3. Board's Interaction with Institutional Investors, Press and Customers**

Senior management will provide one or more public spokespersons for the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board or the Presiding Independent Director, if any.

**G. Meeting Procedures**

**1. Selection of Agenda Items for Board Meetings**

The Chairman of the Board and the Chief Executive Officer (if the Chairman is not the Chief Executive Officer) shall establish the agenda for each Board meeting and shall include in each such agenda any item submitted by any separate Presiding Independent Director. Each Board member is also free to suggest the inclusion of items on the agenda.

**2. Board Materials Distributed in Advance**

Management shall be responsible for assuring that, as a general rule, information and data that are important to the Board's understanding of the Company's business and to all matters expected to be considered and acted upon by the Board be distributed in writing to the Board sufficiently in advance of each Board meeting or each action to be taken by written consent to provide the directors a reasonable time to review and evaluate such information and data. Management shall make every attempt to see that this material is as concise as feasible, while still providing sufficient information to permit the Board to be appropriately informed of material matters to be considered at each Board meeting or other Board action.

Presentations on specific subjects also should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to distribute in written form, an opportunity should be provided for full discussion of the presentation at the meeting.

### **3. Separate “Executive Session” Meetings of Independent Directors**

The Independent Directors (as defined in Section A.3 of this policy) shall meet separately from the other directors in regularly scheduled executive sessions, without the presence of management directors or executive officers of the Company (except to the extent the Independent Directors request the attendance of any executive officers). Such regularly scheduled separate meetings shall be held at such times as may be determined by the Chairman of the Board or by the Presiding Independent Director, if any, or as may be required by the rules of any national securities exchange or market on which the Company’s securities are then listed or traded.

## **H. Committee Matters**

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

The Board shall have an Audit Committee, a Compensation Committee and a Governance Committee, which shall have the respective responsibilities described in this policy and their charters and shall, to the extent set forth in their charters or as required by any national securities exchange or market on which the Company’s securities are listed or traded, consist solely of Independent Directors. In addition, the Board may from time to time appoint one or more additional Committees, such as an Executive Committee. Except as required by applicable law or the rules of any national securities exchange or market on which the Company’s securities are listed or traded, the Executive Committee need not include any Independent Directors; provided, however, that unless the Executive Committee consists solely of Independent Directors, it may not take any action that must (under this policy, applicable law or regulation or the rules of any national securities exchange or market on which the Company’s securities are listed or traded) be taken by the full Board or by a committee consisting solely of Independent Directors. Except as provided in the preceding sentences, any additional committee shall have at least enough Independent Directors to satisfy the same proportion of Independent Directors to non-Independent Directors that applies to the entire Board pursuant to Section A.3, subject to the same flexibility contained in such section to take effective actions when such proportion is not satisfied due to temporary vacancies. If and when the Board appoints any such additional committee, the Board shall, by resolution or otherwise, clearly define in writing the responsibilities of such committee.

### **2. Assignment and Rotation of Committee Members**

The Governance Committee is responsible, after consultation with the Chief Executive Officer and with consideration of the desires of individual Board members, for recommending to the Board the assignment of Board members to various committees.

Consideration shall be given to rotating committee members periodically, but the Board does not believe that such a rotation should be mandated as a policy because there may be reasons at a given point in time to maintain an individual director's committee membership for a longer period.

### **3. Frequency and Length of Committee Meetings**

Subject to any requirements in the applicable committee charter regarding committee meetings, each committee chair, in consultation with committee members, shall determine the frequency and length of the meetings of each committee.

### **4. Committee Agenda, Background Materials and Reports**

The chair of each Board committee, in consultation with the appropriate members of management and staff, shall develop the committee's agenda. The provisions of Section G.2 of this policy regarding distribution of Board materials in advance shall apply equally to the advance distribution of committee materials. The agenda for each committee meeting shall be distributed to other members of the Board at the same time that it is distributed to committee members.

At each Board meeting, the chairman of each committee or his or her delegate shall report the matters considered and acted upon by such committee at each meeting or by written consent since the preceding Board meeting, except to the extent covered in a previous written report to the full Board, and shall be available to answer any questions the other directors may have regarding the matters considered and actions taken by such committee.

## **I. Miscellaneous**

### **1. Resources**

The Board (and Board committees to the extent so provided in the applicable committee charters or otherwise authorized by the Board) may use reasonable amounts of time of the Company's internal and independent accountants, internal and outside lawyers and other internal staff, and also shall have the authority to hire independent accounting experts, lawyers and other consultants to assist and advise the Board (and any of its committees that are authorized to seek such advice and assistance) in connection with its responsibilities. The Board (and any such committees) shall keep the Company's Finance Department advised as to the general range of anticipated expenses for outside consultants hired by the Board (or such committees).

### **2. Reliance**

Each director is entitled to rely in good faith on (i) corporate officers, corporate employees and corporate records prepared or presented by such persons if reasonably believed to be reliable and competent in the matters presented (ii) on board committees of which the director is not a member if the director reasonably believes the committee

merits confidence and (iii) any other person as to matters reasonably believed to be within the person's professional or expert competence. Directors shall make such inquiries as they deem necessary to permit such reliance.

### **3. Director Orientation and Continuing Education**

Each new director shall be given a thorough orientation with respect to his or her duties as a director and, except to the extent unnecessary for any director who is an executive officer of the Company, background material with respect to the Company, its business and issues of particular significance to the Company and the opportunity for meetings with the senior management and visits to Company facilities. Each new director and each new member of any Board committee also shall cooperate in fulfilling any additional orientation guidelines that may be recommended generally or on an ad hoc basis by the Governance Committee to help assure that such director has the necessary skills to perform his or her responsibilities as a director or new member of any Board committee.

Each director also shall cooperate in fulfilling any applicable continuing education guidelines established and periodically updated by the Governance Committee.

### **4. Disclosure of this Policy**

This policy, including the attached code of business conduct and ethics and all Board committee charters, shall be available in print to any shareholder requesting it. In addition, the Company will either post its code of business conduct and ethics on the Company's website or file it with the Securities and Exchange Commission as an exhibit to its annual report on Form 10-K.

### **5. Code of Business Conduct and Ethics**

The Company shall maintain, and the Audit Committee shall oversee compliance with, a code of business conduct and ethics for its directors, officers and other employees. Such code as currently in effect is set forth in Exhibit A attached hereto. The Audit Committee may modify or replace the code from time to time in its discretion.