

PRIVATE COMPANY
BOARD OF DIRECTORS
BEST PRACTICES AND KEY PRINCIPLES

<u>Governance Structures</u>	<u>Board Size, Composition & Member Selection</u>	<u>Meeting Mechanics</u>	<u>Meeting Dynamics</u>	<u>Other Best Practices</u>
<ol style="list-style-type: none"> 1. Adopt governance structures and practices that position Board to fulfill its duties effectively and efficiently 2. No one-size fits all <ul style="list-style-type: none"> • Ideal structure depends on circumstances 3. Establish a set of Board priorities (and review on an annual basis) 4. Maintain distinction between Board and management <ul style="list-style-type: none"> • Separation of Board Chairman and CEO positions 5. Use of Board Committees (<i>e.g.</i>, Audit Committee, Compensation Committee) and Independent / Special Committees for certain transactions <ul style="list-style-type: none"> • Executive session of the Board (without management present) 6. Design governance structures and practices to promote an appropriate corporate culture of integrity, ethics and corporate social responsibility <ul style="list-style-type: none"> • Adopt a Code of Ethics 7. Examine governance structures annually – structures change over time 	<ol style="list-style-type: none"> 1. Ideal Board size: No one size fits all 2. Determine criteria for ideal Board members 3. Establish process for recruitment of Board members 4. Communicate expectations of Board members 5. Consider independent directors and inclusion of representatives of minority shareholders 	<ol style="list-style-type: none"> 1. Establish regular Board and Committee meeting calendar 2. Information exchange and documentation <ul style="list-style-type: none"> • Board must be actively engaged in determining its own priorities, agenda and information needs • In advance of meetings, distribute Board book with draft agenda, documents for review and proposed resolutions • Comply with corporate organizational documents – <i>e.g.</i>, advance notice of meetings, quorum requirements, etc. • Accurately document the process followed and decisions reached by the Board • Distribute minutes of meeting for review and ratification promptly after each meeting • Have legal counsel review Board books, minutes and resolutions 3. Communicate and disclose to shareholders all material items in accordance with governing documents/applicable regulations 	<ol style="list-style-type: none"> 1. Exercise due care in making decisions 2. Engage in real discussion of agenda 3. Give all directors an opportunity to be heard 4. Consider advice of corporate officers and employees with relevant information 5. Allow sufficient time for a meeting so that all agenda items can be carefully considered 6. Disclose to the Board all existing material relationships (financial or otherwise) in order to identify and avoid any potential conflicts of interest 7. Substance of Board deliberations should be kept confidential 	<ol style="list-style-type: none"> 1. Review and analyze D&O insurance on an annual basis decisions 2. Provide financial incentives (<i>e.g.</i>, stock ownership, option awards, etc.) to focus Board on optimizing long-term value for shareholders 3. Have legal counsel review with new Board duties of the directors and Board mechanics 4. Perform meaningful Board evaluation (including self-assessments) on an annual basis for each member, the full Board and each committee