

**CORPORATE GOVERNANCE GUIDELINES
OF
STAGE STORES, INC.**

June 2, 2016

TABLE OF CONTENTS

I.	DIRECTOR QUALIFICATIONS, SELECTION AND REQUIREMENTS	3
A.	Director Qualifications and Selection	3
B.	Director and Officer Questionnaire	4
C.	Vacancies on the Board	4
D.	Extending the Invitation to a Potential Director	4
E.	Director Orientation	4
F.	Stock Ownership by Directors	4
G.	Director Participation on Other Boards	5
H.	Director Education	5
I.	Majority Vote Policy for the Election of Directors	5
II.	BOARD LEADERSHIP STRUCTURE	6
III.	BOARD COMPOSITION AND PERFORMANCE	6
A.	Size of the Board	6
B.	Percentage of Independent Directors on the Board	6
C.	Director Independence	7
D.	Duties of the Chairman	7
E.	Directors Who Change Their Present Job Responsibility	7
F.	Term Limits	8
G.	Retirement Age	8
H.	Board Compensation	8
I.	Executive Sessions of Independent Directors	9
J.	Evaluation of Guidelines, Charters and Board, Committees and Director Performance	9
K.	Board Interaction with Third Parties	9
L.	Attendance at Board, Committee and Annual Meetings	9
M.	Board’s Role in Risk Oversight	10
IV.	BOARD RELATIONSHIP TO SENIOR MANAGEMENT	11
A.	Regular Attendance of Non-Directors at Board Meetings	11
B.	Board Access to Senior Management and Independent Advisors	11
V.	BOARD MEETING PROCEDURES	11
A.	Frequency of Meetings	11
B.	Agenda Board Meetings	11

C.	Board Materials Distributed in Advance.....	11
D.	Minutes.....	12
VI.	COMMITTEE MATTERS.....	12
A.	Number, Structure and Independence of Committees.....	12
B.	Appointment and Rotation of Committee Members.....	12
C.	Frequency and Length of Committee Meetings.....	12
D.	Committee Agenda.....	12
VII.	LEADERSHIP DEVELOPMENT.....	13
A.	Performance Evaluation of the Chief Executive Officer.....	13
B.	Succession Planning.....	13
C.	Management Development.....	13
VIII.	RELATED PERSON TRANSACTIONS, OTHER MATERIAL TRANSACTIONS AND LOANS.....	13
A.	Related Person Transactions.....	13
B.	Material Transactions Requiring Filing with the SEC.....	13
C.	Loans to Directors, Executive Officers and Their Immediate Family Members.....	14
D.	Loans to Employees Other Than Directors, Executive Officers and Their Immediate Family Members.....	14
IX.	COMMUNICATIONS BETWEEN SHAREHOLDERS AND THE BOARD.....	14
X.	WEBSITE POSTING AND DISCLOSURE.....	14
	APPENDIX A – DIRECTOR COMPENSATION.....	15

**CORPORATE GOVERNANCE GUIDELINES
OF
STAGE STORES, INC.**

The following Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors (“Board”) of Stage Stores, Inc. (“Company”) to assist the Board in the exercise of its corporate governance responsibilities. The purpose of the Guidelines is to provide a structure within which the Company’s directors and management may monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing shareholder value over the long term. The Guidelines are subject to annual review and modification from time to time by the Board.

I. DIRECTOR QUALIFICATIONS, SELECTION AND REQUIREMENTS

A. Director Qualifications and Selection

The Corporate Governance and Nominating Committee is responsible for recommending to the Board the appropriate skills and qualifications required of Board members and assessing the appropriate balance of skills and qualifications required of directors based on the Company’s needs from time to time. The Corporate Governance and Nominating Committee and the Board should consider the current composition of the Board and other relevant factors and attributes that it deems appropriate and important for nominees to make meaningful contributions to the Board and the Company’s business.

At a minimum, director nominees should possess the following skills and qualifications: broad experience, wisdom, integrity, the ability to make independent analytical inquiries, an understanding of the Company’s business environment, and willingness to devote adequate time to Board duties. The Corporate Governance and Nominating Committee and the Board shall endeavor to have a Board representing a range of experience in business and in other areas that are relevant to the Company’s activities with a goal of achieving a Board that, as a whole, provides effective oversight of the Company’s management and business through, among other things, diversity (i.e., differences of viewpoint, professional experience, education, skill and other individual qualities and attributes that contribute to the Board’s heterogeneity).

In identifying and evaluating director nominees, the Corporate Governance and Nominating Committee may implement such processes as it deems appropriate, including retaining a third party to assist in identifying or evaluating potential nominees. Prior to his or her nomination to the Board, each director nominee must (1) meet the minimum qualifications set forth above, (2) have at least one interview with the Corporate Governance and Nominating Committee and with any other director who requests an interview, and (3) complete and sign a questionnaire in accordance with Section I.B. below. In identifying potential director candidates, the Committee shall consider recommendations from the then-current directors, the Company’s Chief Executive Officer and the Company’s shareholders. A shareholder wishing to recommend a prospective director nominee to the Board must send written notice to the Chair of the Corporate Governance and Nominating Committee, c/o the Company’s Secretary, at the Company’s principal executive offices. The written notice must include the prospective nominee’s name, age, business address, principal occupation, ownership of the Company’s common shares, information that would be

required under the rules of the Securities and Exchange Commission (“SEC”) in a proxy statement soliciting proxies for the election of that prospective nominee as a director, and any other information that is deemed relevant by the recommending shareholder. Shareholder recommendations that comply with these procedures and that meet the factors outlined above will receive the same consideration that the recommendations of our Board receive.

B. Director and Officer Questionnaire

Each candidate for director shall complete and sign a questionnaire in a form deemed appropriate by the Board prior to his or her nomination to the Board. Each director shall no less than annually complete and sign a questionnaire in a form deemed appropriate by the Board. In the event any information contained on a director’s most recent questionnaire becomes incomplete or inaccurate, it shall be the responsibility of the director to promptly provide complete and accurate information to the Corporate Governance and Nominating Committee.

C. Vacancies on the Board

The Board shall be responsible for nominating individuals for election to the Board and for filling vacancies on the Board that may occur between annual meetings of the shareholders.

D. Extending the Invitation to a Potential Director

The invitation to join the Board should be extended by the Board via the Chairman of the Board and the Chief Executive Officer of the Company.

E. Director Orientation

An orientation program should be conducted for new directors which includes comprehensive information about the Company’s business and operations, general information about the Board and its committees, including a summary of director compensation and benefits, and a review of director duties and responsibilities by the Company’s counsel.

F. Stock Ownership by Directors

In General. The Board believes that non-employee directors should be shareholders and have a financial stake in the Company. Each non-employee director must develop and maintain a stock position in the Company with an original investment of at least four times the annual Board retainer in effect upon the director’s initial election or appointment to our Board or such other amount as the Board deems appropriate (“Original Investment”). If the annual Board retainer is increased, each non-employee director must develop and maintain a stock position in the Company with an additional investment of at least four times the increase in the annual Board retainer or such other amount as the Board deems appropriate (“Additional Investment”). In determining whether the non-employee director has achieved the Original Investment and the Additional Investment, the director may include his or her (i) tax basis in any stock held directly or through a broker (i.e., acquisitions net of dispositions), (ii) tax basis in vested restricted stock, (iii) tax basis in vested but unexercised in-the-money stock options and SARs, and (iv) director fees which the director has designated to be used for the acquisition of restricted stock or deferred stock units under the Company’s Non-Employee Director Equity Compensation Plan. Directors shall have three years

from the date of their initial election to the Board to achieve the Original Investment, and three years from the date of an increase in the annual Board retainer to achieve the Additional Investment.

Notice and Compliance. Each director shall promptly and fully (i) comply with the Company's then-current insider trading policy applicable to directors ("Trading Policy"), (ii) report all purchases, sales, pledges and other transactions in the Company's securities to one of the Company's Compliance Officers identified in the Trading Policy, and (iii) comply with any and all reporting requirements imposed upon directors under the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, and any and all regulations promulgated by the SEC thereunder.

G. Director Participation on Other Boards

Independent Directors (as defined in Section III.C. below) shall limit to two the number of other boards of publicly-traded companies (i.e., excluding the boards of privately-held companies, trade associations, and non-profit entities) on which they serve, and shall further take into account potential board attendance, participation and effectiveness on those boards. Independent Directors must also advise the Chairman of the Board and the Chairman of the Corporate Governance and Nominating Committee prior to accepting an invitation to serve on any other board, including the boards of privately-held companies, trade associations, and non-profit entities.

H. Director Education

The Board supports and encourages directors to expand their knowledge in appropriate areas by attending director education programs and subscribing to relevant publications.

I. Majority Vote Policy for the Election of Directors

Any nominee for director in an uncontested election at a meeting of shareholders at which a quorum is present who receives fewer votes "for" his or her election than votes "against" such election ("Majority Withheld Vote") shall, promptly after the certification of the vote, tender to the Chairman of the Corporate Governance and Nominating Committee a letter of resignation from the Board. Brokers' non-votes and abstentions will not be considered votes cast "for" or "against" a nominee's election at the shareholder meeting. For purposes of this policy, an "uncontested election" means an election of directors at a meeting of shareholders in which the number of nominees for election does not exceed the number of directors to be elected.

The Corporate Governance and Nominating Committee shall promptly thereafter consider the resignation and recommend to the Board whether to accept the resignation or to take other action. The Board will act on the Corporate Governance and Nominating Committee's recommendation no later than 100 days following the certification of the shareholder vote. The Corporate Governance and Nominating Committee, in making its recommendation, and the Board, in making its decision, will evaluate such resignation in light of the best interests of the Company and its shareholders and may consider any factors and other information they deem relevant. The Board may accept or reject the offer of resignation or take other action, including, but not limited to: (i) allow the director who received the Majority Withheld Vote to remain on the Board but not be nominated for reelection to the Board at the next election of directors; (ii) defer acceptance of the

resignation until the vacancy can be filled by the Board in accordance with the Company's Amended and Restated Bylaws with a replacement director who possesses certain necessary qualifications held by the director who received the Majority Withheld Vote (for example, audit committee financial expertise); or (iii) provide the director who received the Majority Withheld Vote with the opportunity to cure the underlying cause of the Majority Withheld Vote (for example, if the votes "against" the director were due to another board directorship, by resigning from the other board) within a specified period and reject the resignation if the director cures the underlying cause of the Majority Withheld Vote within such period. The Company will promptly publicly disclose the Board's decision in a press release or a periodic or current report to the Securities and Exchange Commission.

Any director who tenders his or her resignation pursuant to this provision will not participate in the recommendation of the Corporate Governance and Nominating Committee or the decision of the Board with respect to the tendered resignation (except as expressly permitted by the next paragraph). However, such director shall remain active and engaged in all other Board and committee activities, deliberations and decisions during the pendency of this process.

If a majority of the members of the Corporate Governance and Nominating Committee received a Majority Withheld Vote at the same election, then the independent directors on the Board who did not receive a Majority Withheld Vote will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and to make a recommendation to the Board whether to accept or reject the tendered resignations. If the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, then all directors may participate in the Board consideration regarding whether or not to accept the tendered resignations.

II. BOARD LEADERSHIP STRUCTURE

Subject to the Company's Bylaws, the Board should be free to choose its Chairman in any way that it deems best for the Company at any given point in time. However, it is the policy of the Board that the Chairman of the Board ("Chairman") shall be an Independent Director, and shall be appointed by the remaining directors.

III. BOARD COMPOSITION AND PERFORMANCE

A. Size of the Board

The Board believes that it should generally have no fewer than seven and no more than eleven directors absent a resolution adopted by either the shareholders or the directors or as otherwise provided in the Company's Bylaws. The Board believes that this range permits diversity of experience without hindering effective discussion or diminishing individual accountability.

B. Percentage of Independent Directors on the Board

Independent Directors shall constitute a majority of the Board; provided, that the Company shall maintain a minimum of four Independent Directors on the Board. Furthermore, no more than two of the Company's Executive Officers (as such term is defined pursuant to Rule 3b-7 under the Securities Exchange Act of 1934, as amended) may serve on the Board at the same time.

C. Director Independence

A majority of the directors shall meet the criteria for independence required by the New York Stock Exchange (“NYSE”) and any other applicable laws, rules and regulations (“Independent Director”). The Board shall monitor its compliance with such NYSE requirements and all other applicable laws, rules and regulations relating to independence on an on-going basis. Each Independent Director shall notify the Chair of the Corporate Governance and Nominating Committee as soon as practicable in the event his or her circumstances change in a manner that may affect the Board’s evaluation of his or her independence.

D. Duties of the Chairman

The Chairman shall perform the following duties:

1. Coordinate the activities of the Independent Directors;
2. Provide the Board with input on agendas for Board and Board committee meetings;
3. Coordinate, develop the agenda for, and chair regularly scheduled executive sessions and other meetings of the Independent Directors;
4. Facilitate communications between the Chairman and the other members of the Board, including communicating other members’ requests to call special meetings of the Board;
5. Discuss the results of the Chief Executive Officer’s performance evaluation with the Chairman of the Compensation Committee;
6. Convey to the Chief Executive Officer, together with the Chairman of the Compensation Committee, the results of the Chief Executive Officer’s performance evaluation; and
7. Be available to the Chief Executive Officer.

In performing the duties described above, the Chairman is expected to consult with the Chairman of the Corporate Governance and Nominating Committee and the chairmen of other appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibilities of those committee chairmen. Nothing in this Section or elsewhere in these Guidelines is intended to restrict any director from direct access to the Chief Executive Officer.

E. Directors Who Change Their Present Job Responsibility

It is expected that when a director who is also an employee of the Company resigns or otherwise relinquishes his or her corporate officer title, he or she will submit his or her resignation from the Board at the same time. Whether the individual continues to serve on the Board will be a matter for discussion by the Board at that time.

When a non-employee director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board or when he or she no longer constitutes an Independent Director, the director should tender a letter of resignation to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will review whether the new occupation, or retirement, of the director is consistent with the specific rationale for originally selecting that individual and the guidelines for directorship and/or, if applicable, whether the director continues to qualify as an Independent Director. The Board does not believe that Independent Directors who retire or change the position they held when they became a member of the Board or who no longer meet the definition of Independent Director should necessarily leave the Board. The Corporate Governance and Nominating Committee will recommend to the Board action to be taken regarding the resignation based, in the case of retirement, on the circumstances of retirement, in the case of a new position, the responsibility and type of position and industry involved, or in the case a director no longer qualifies as an Independent Director, the impact that fact may have on the Board's corporate governance.

F. Term Limits

In accordance with the Bylaws, directors are elected for a term of one year. The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Corporate Governance and Nominating Committee, in conjunction with the Chief Executive Officer, will formally review each director's continuation on the Board near the conclusion of that director's term. This process also provides each director the opportunity to confirm his or her desire to continue as a member of the Board. An individual director's re-nomination will be dependent upon that director's performance evaluation, as well as the suitability review conducted by the Corporate Governance and Nominating Committee.

G. Retirement Age

No director who has reached the age of 75 years shall be nominated for re-election to the Board.

H. Board Compensation

Directors who are full-time employees of the Company shall not receive any additional compensation for serving on the Board.

Directors who are not full-time employees of the Company shall receive compensation plus expense reimbursement for services rendered as a director as set forth in Appendix A to these Guidelines, which may be amended by the Board from time to time.

As part of a director's total compensation and to create a direct linkage with the Company's performance, the Board believes that a meaningful portion of a director's compensation should be provided and held in common stock or options to purchase common stock. To that end it shall be

the responsibility of the Corporate Governance and Nominating Committee to recommend to the Board alternative forms of director compensation which include a stock purchase (e.g., restricted and/or free trading), deferred stock units, stock grant or stock option component in lieu of cash compensation, with purchase, grant, exercise prices, restrictions, if any, and other terms and conditions to be determined by the Board and set forth either in Appendix A to these Guidelines or in such other document as may be approved by the Board.

The Corporate Governance and Nominating Committee shall evaluate and make recommendations to the Board concerning director compensation biannually, or more frequently as the Board or the Committee deem appropriate. Changes in Board compensation, if any, require approval by the Board.

I. Executive Sessions of Independent Directors

The Independent Directors of the Board will have the opportunity to meet in executive session in conjunction with each Board meeting, but shall meet no fewer than two times each year. Executive sessions will be chaired by the Chairman. If appropriate, the format of these meetings will include a discussion with the Chief Executive Officer.

J. Evaluation of Guidelines, Charters and Board, Committees and Director Performance

With input from the other directors, the Corporate Governance and Nominating Committee shall report annually to the Board on its evaluation of (1) the adequacy of these Guidelines, the Charters of the committees of the Board, and any other corporate governance policies, and (2) the overall performance of the Board, each committee of the Board and each director. Its evaluations will be discussed with the full Board. The purpose of the evaluation of the Board and the committees of the Board is to increase the corporate governance effectiveness of the Board, the committees and the directors. The Corporate Governance and Nominating Committee shall be responsible for establishing the evaluation criteria and implementing the process for the annual evaluation of the Board, the committees of the Board and the directors.

K. Board Interaction with Third Parties

The Board believes that the Chief Executive Officer should generally speak for the Company. While the Board suggests that each director refer all inquiries from institutional investors, analysts, the press, customers of the Company and other third parties to the Chief Executive Officer, individual directors may, from time to time and at the request of the Chief Executive Officer, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

L. Attendance at Board, Committee and Annual Meetings

Each director is expected to attend all Board meetings, all meetings of the committees of the Board on which he or she serves, and the Company's annual meeting of shareholders.

M. Board's Role in Risk Oversight

Unless otherwise established by the Board, the Board's role in the risk oversight of the Company shall be administered directly and through its standing committees as follows:

1. The Audit Committee has primary responsibility for financial oversight. In that regard, the Audit Committee's purpose is to assist in the Board's oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's independent auditor's qualifications, independence and work, and (iv) the performance of the Company's internal audit function and independent auditors. The Audit Committee acts independently as authorized and assists the Board in fulfilling its oversight responsibilities by reviewing certain financial information that is provided to the Board and others, the internal control structure, the audit process, and the adherence to applicable laws and regulations. Considering the size and complexity of the Company, the Audit Committee must apply reasonable materiality standards to all of its activities. In addition, the Audit Committee has certain responsibilities with respect to the Company's compliance program.
2. The Compensation Committee evaluates the risks associated with the Company's compensation policies and practices for all employees, including non-executive officers, to ensure that they do not create risks that are reasonably likely to have a material adverse affect on the Company.
3. The Corporate Governance and Nominating Committee assists the Board in fulfilling its corporate governance and oversight responsibilities by reviewing corporate governance issues that may be brought before the Board, by exercising oversight over these Guidelines, by recommending qualified individuals for nomination as directors and reviewing their performance, and by reviewing applicable laws and regulations related to corporate governance matters.
4. The Board shall be kept abreast of its Committees' risk oversight and other activities via reports of each Committee Chairman to the Board. These reports are to be presented at regular Board meetings and are to include discussions of Committee agenda topics, including matters involving risk oversight.
5. Members of management who supervise the day-to-day risk management responsibilities shall periodically provide reports to the Board as a whole and to the Committees if requested.

The Board will consider specific risk topics, including risks associated with the Company's strategic plan, its capital structure and its development activities. In addition, the Board shall receive detailed regular reports from the members of the Company's senior management team, which consists of the heads of the Company's principal business and corporate functions, that include discussions of the risks and exposures involved in their respective areas of responsibility. These reports are to be provided in connection with regular Board meetings and will be discussed, as necessary, at Board meetings. Further, the Board shall be routinely informed of developments affecting the Company that could affect the Company's risk profile or other aspects of the Company's business.

IV. BOARD RELATIONSHIP TO SENIOR MANAGEMENT

A. Regular Attendance of Non-Directors at Board Meetings

The Board welcomes the regular attendance at each Board meeting of non-directors who are in the most senior management positions of the Company. Should the Chairman or the Chief Executive Officer want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

B. Board Access to Senior Management and Independent Advisors

Directors shall have complete access to the Company's senior management. Directors will ensure that any such contact is not distracting to the business operations of the Company and that any contact, if in writing, be copied to the Chairman or Chief Executive Officer, as appropriate.

Furthermore, the Board encourages senior management to, from time to time, bring individuals into Board meetings who: (1) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (2) have potential that senior management believes should be given exposure to the Board.

V. BOARD MEETING PROCEDURES

A. Frequency of Meetings

There shall be not less than four regularly scheduled meetings of the Board each year. A substantial portion of one of these meetings shall be devoted to the discussion of long-term strategic planning and other issues, which may cause one or more Board meetings to be more than one day in length.

B. Agenda Board Meetings

The Chairman of the Board, in consultation with the Chief Executive Officer and the assistance of management, shall establish the agenda for each Board meeting and provide a written copy to the Board prior to the meeting. Each director shall be free to suggest additional items to include on any Board agenda. Each director may also introduce subjects for discussion at any Board meeting that are not specifically on the agenda for that meeting.

C. Board Materials Distributed in Advance

Information that is important to the Board's understanding of the Company's business will be distributed or made available in writing to the directors sufficiently in advance of each Board or committee meeting to allow for meaningful review before the meeting. As a general rule, such information should be sent to the directors in advance of a meeting so that the meeting may be focused on questions that the directors have about the material; provided that when the subject matter is too sensitive to be circulated in advance of the meeting, the information will be provided and discussed at the meeting. Information submitted to the directors should be relevant, concise (but complete and timely), well organized, supported by any background or historical data

necessary to place information in context, and designed to inform directors of material aspects of the Company's business, performance and prospects.

D. Minutes

Minutes shall be taken for each Board meeting and shall be approved at a subsequent meeting of the Board.

VI. COMMITTEE MATTERS

A. Number, Structure and Independence of Committees

From time to time, the Board may want to form a new committee or disband a current committee depending upon the circumstances. At a minimum, the Company shall have an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee, each of which shall be composed entirely of Independent Directors. The duties of each committee shall be outlined in the committee's charter.

B. Appointment and Rotation of Committee Members

The Corporate Governance and Nominating Committee shall be responsible, after consultation with the Chief Executive Officer and the Chairman of the Board and with consideration of the desires of individual directors, for recommending to the Board the appointment of (i) directors to various Board committees and (ii) chairmen of the various Board committees. After reviewing the recommendations of the Corporate Governance and Nominating Committee, the Board shall be responsible for appointing directors to the Board committees and the chairmen of the Board committees.

The Corporate Governance and Nominating Committee shall annually review the committee assignments and shall consider the rotation of chairmen and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

C. Frequency and Length of Committee Meetings

The chair of each committee, in consultation with committee members, shall determine the frequency and length of committee meetings.

D. Committee Agenda

The chair of each committee, with the assistant of management, shall establish an agenda for each committee meeting and provide a copy to the committee prior to the meeting. Each committee member shall be free to suggest additional items to include on any committee agenda. Each director may also introduce subjects for discussion at any committee meeting that are not specifically on the agenda for that meeting.

VII. LEADERSHIP DEVELOPMENT

A. Performance Evaluation of the Chief Executive Officer

It is the responsibility of the Compensation Committee to oversee the Board's annual performance evaluation of the Chief Executive Officer. The Compensation Committee, with the oversight of the Board, shall have the flexibility to determine the Chief Executive Officer performance evaluation process for any given fiscal year. The Compensation Committee shall make recommendations to the Board regarding the Chief Executive Officer's compensation based on the results of this annual evaluation.

B. Succession Planning

The Corporate Governance and Nominating Committee shall make an annual report to the Board on emergency as well as expected Chief Executive Officer succession planning. The entire Board shall work with the Corporate Governance and Nominating Committee to evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer shall provide the Corporate Governance and Nominating Committee with his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

The Chief Executive Officer shall prepare and distribute to the Board an annual report on succession planning for all other Executive Officers and an organizational chart. In addition, the Chief Executive Officer shall prepare, on a continuing basis, a short-term succession plan which delineates a temporary delegation of authority to certain officers of the Company, if all or a portion of the Executive Officers should unexpectedly become unable to perform their duties. The short-term succession plan shall be in effect until the Board has the opportunity to consider the situation and take action, when necessary.

C. Management Development

The Chief Executive Officer shall prepare an annual report to the Board setting forth the Company's program for management development. This report should be presented to the Board at the same time as the succession planning report noted previously. The Board shall determine that a satisfactory system is in effect for education, development, and orderly succession of management throughout the Company.

VIII. RELATED PERSON TRANSACTIONS, OTHER MATERIAL TRANSACTIONS AND LOANS

A. Related Person Transactions

Each director, officer and employee of the Company (including its direct or indirect subsidiaries) shall comply with the Company's then-current related person transaction policy.

B. Material Transactions Requiring Filing with the SEC

No officer, director or employee of the Company (including its direct or indirect subsidiaries) shall enter into any agreement, arrangement or contract with any person or entity or authorize any

transaction which the Company is required to disclose to the SEC unless the Board or appropriate committee approves or ratifies the agreement, arrangement, contract or transaction.

C. Loans to Directors, Executive Officers and Their Immediate Family Members

The Company shall not, directly or indirectly, including through any subsidiary, extend or maintain credit, arrange for or guarantee the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director, executive officer, or Immediate Family Member of any director or executive officer. An “Immediate Family Member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.

D. Loans to Employees Other Than Directors, Executive Officers and Their Immediate Family Members

Loans to employees who are not directors, executive officers, or Immediate Family Members of directors and executive officers shall be made in strict compliance with the Company’s then-current loan policy.

IX. COMMUNICATIONS BETWEEN SHAREHOLDERS AND THE BOARD

Shareholders and other interested parties may send written communications to the Board and, if applicable, to specified individual directors, by mail, facsimile or courier to the Company’s principal executive offices. All correspondence received by the Company will be relayed to the Board or, if applicable, to the individual director.

X. WEBSITE POSTING AND DISCLOSURE

The Company shall make these Guidelines available on or through its website. The Company shall disclose in its annual proxy statement or, if it does not file an annual proxy statement, in its annual report on Form 10-K filed with the SEC, that these Guidelines are available on or through its website and provide the website address.

APPENDIX A – DIRECTOR COMPENSATION

Directors of the Company who are not full-time employees of the Company shall receive the following compensation:

1. **Annual Retainer.** Directors shall receive an annual retainer of \$60,000 (“Annual Retainer”), which shall be earned and paid pro rata over their term at the beginning of each month. The Annual Retainer is intended to compensate the director for attendance at regularly scheduled quarterly Board meetings (may be by teleconference) and up to two special meetings of the Board (may be by teleconference) as well as consultation and participation in teleconference meetings held for periodic Board updates.

2. **Chairman Retainer.** In addition to the Annual Retainer, the Chairman shall also receive a retainer of \$125,000 (“Chairman Retainer”), which shall be earned and paid pro rata over his or her term at the beginning of each month. The Chairman Retainer is intended to compensate the Chairman for the additional duties set forth in the Guidelines.

3. **Special Board Meeting Fee.** Beginning with the seventh meeting of the Board in any fiscal year, directors shall receive a fee of \$1,500 per meeting (“Special Meeting Fee”) for their preparation and attendance at special meetings of the Board (may be by teleconference) called for the purpose of specific actions by the Board (consents, resolutions, etc.) and held at times other than in conjunction with regular quarterly meetings of the Board and two special meetings of the Board. No additional meeting fee shall be paid for attendance at regular quarterly Board meetings and the first two special meetings of the Board.

4. **Committee Meeting Fees.** Directors shall receive (a) a fee of \$1,500 per meeting (“Regular Committee Meeting Fee”) for their preparation and attendance at regular quarterly meetings of the committees on which they serve (may be by teleconference), and (b) a fee of \$1,500 per meeting (“Special Meeting Fee”) for (i) their preparation and attendance at Committee meetings (may be by teleconference) called for the purpose of specific actions by their Committees (consents, resolutions, etc.) and held at times other than in conjunction with regular quarterly meetings of their Committees, and (ii) their preparation and attendance at “ad hoc” Board Committee assignments held at times other than in conjunction with regular quarterly meetings of their Committees or the Board. Non-committee members who voluntarily attend a Committee meeting shall not receive a fee.

5. **Committee Chairman Fees.** The Chair of the Audit Committee shall receive a fee of \$20,000 per year; the Chair of the Compensation Committee shall receive a fee of \$15,000 per year; and the Chair of the Corporate Governance and Nominating Committees shall receive a fee of \$12,500 per year (each, a “Committee Chair Fee”). The Committee Chair Fee shall be earned and paid pro rata over the Chair’s term at the beginning of each month.

6. **Restricted Stock Grants**

Initial Grant. Upon a director’s initial appointment or election, the director will be granted restricted shares of the Company’s common stock valued at \$100,000 based on the closing price of the Company’s stock on the date of his or her appointment or election, but pro-rated for the number of months the director will serve until the next Annual Meeting of Shareholders

("Initial Grant"). For example, a director initially appointed or elected three months after the last Annual Meeting would serve a term of nine months and would be entitled to restricted shares of the Company's common stock valued at \$75,000 based on the closing price of the Company's stock on the date of his or her appointment or election, while a director initially appointed or elected nine months after the last Annual Meeting would serve a term of three months and would be entitled to restricted shares of the Company's common stock valued at \$25,000 based on the closing price of the Company's stock on the date of his or her appointment or election.

The Initial Grant will vest, on a cliff basis, on the earliest of (i) one year from the date of grant or (ii) the date of the first Annual Meeting of the Company's shareholders following the date of grant.

Reelection Grant. Upon a director's reelection to the Board, the director will be granted restricted shares of the Company's common stock valued at \$100,000 based on the closing price of the Company's stock on the date of his or her reelection ("Reelection Grant"). The Reelection Grant will vest, on a cliff basis, on the earliest of (i) one year from the date of grant or (ii) the date of the first Annual Meeting of the Company's shareholders following the date of grant.

Forfeiture of Grants. A director will forfeit any unvested Initial Grant and Reelection Grants if the director ceases to be a director at any time prior to their vesting date other than due to (i) the fact that the director's age prohibits the director from serving as a director, (ii) death, (iii) permanent disability (as determined by the Board), or (iv) a Change in Control (as defined in the applicable equity incentive plan), at which time the unvested Initial Grant and Reelection Grants will fully vest.

7. Reimbursement of Expenses. Directors shall be reimbursed for actual expenses they incur while attending, or otherwise participating in, Board meetings, committee meetings and "ad hoc" committee assignments.

8. Election Concerning Receipt of Certain Compensation. Under the Company's 2003 Non-Employee Director Equity Compensation Plan ("Plan"), a director may elect to receive the Annual Retainer, the Chairman Retainer, Special Board Meeting Fees, Committee Meeting Fees, Committee Chairman Fees, and such other compensation as the Board may deem appropriate, as the case may be, either (a) in restricted stock, deferred stock units, cash, or a combination of restricted stock, deferred stock units and cash at the time that such compensation is earned, or (b) in cash or restricted stock at a later date. Any issuance of restricted stock in lieu of cash will be made by the Company on such terms and conditions as the Board may establish. In any event, in order to receive restricted stock, a director must, at a minimum, (a) notify the Company of his or her current election to receive restricted stock by executing an applicable election form, and (b) execute a shareholder agreement by which the director agrees not to sell any of the restricted stock until the director leaves the Board. Any restricted stock certificate issued to a director in lieu of cash shall bear restrictive legends consistent with the terms and conditions established by the Board for the issuance of the restricted stock as well as such other restrictive legends as may be required by law or SEC regulation and shall be in a form substantially as follows:

The Shares represented by this Certificate have not been registered under the United States Securities Act of 1933 (the "Act") and are "restricted securities"

as that term is defined in Rule 144 under the Act. The Shares may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act, the availability of which is to be established to the satisfaction of the Company. In addition, the rights and obligations of the holder of this Certificate, and the ability of the holder to transfer the Shares represented by this Certificate, are subject to the terms and conditions of a Shareholder Agreement, a copy of which can be obtained from the Company upon written request.

The amount of any director fees which the director has designated to be used for the acquisition of restricted stock or deferred stock units under the Plan shall be credited toward the director's obligation to develop and maintain a stock position in the Company as set forth in Section I.F. of the Guidelines (Stock Ownership by Directors).