

PRIVATEBANCORP, INC.

CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of PrivateBancorp, Inc. (the “Company”), acting on the recommendation of the Corporate Governance Committee. These guidelines have been established (1) to provide a framework for the Board in carrying out its responsibilities to stockholders; (2) to promote effective functioning of the Board; (3) to provide a common set of expectations as to how the Board, its leadership and management should perform their functions; and (4) to ensure the Company and the Board conduct business in accordance with the highest ethical standards and in accordance with applicable laws and regulations. The Corporate Governance Committee will review the Guidelines periodically, but at least annually, and revise the Guidelines as necessary to meet any changing circumstances of the Company or Board. All changes are subject to Board approval.

I. Mission of the Board

The mission of the Board is to promote the long-term value and viability of the Company in the interests of its stockholders and to be a strategic asset to the Company.

II. Corporate Authority and Responsibility

The business and affairs of the Company shall be managed under the direction of the Board of Directors. The Board may exercise that authority through delegation to committees of the Board and through the delegation of authority to the Company’s management, all in accordance with applicable law and the Certificate of Incorporation and By-laws of the Company. The Board shall provide advice and counsel to management regarding management’s fulfillment of its Board-delegated responsibilities.

III. Board Principles

It is the aspiration of the Board to give the Company a competitive advantage. In an effort to promote this goal, each member of the Board has agreed to abide by the following principles:

- To act with absolute integrity, practicing responsible and appropriate behavior;
- To uphold the best interests of stockholders and promote long-term value;
- To exercise independent judgment in all decisions, avoiding personal conflicts of interest;
- To deliver on our commitments;
- To honor the sanctity of the Boardroom;
- To provide transparency in structure, policies and practices;
- To demand superior performance of ourselves and our management team;
- To contribute time, talent and experience;
- To fully engage in key issues, strategy and execution;

- To create value by being properly informed and prepared;
- To understand risk;
- To govern, not manage;
- To avoid politics in our Board relationships and interactions;
- To be disciplined, prioritize issues and practice decisiveness;
- To observe a policy of one decision, one message;
- To demonstrate mutual respect and support for one another; to work as a team and foster inclusiveness;
- To be accessible to stockholders through the proper channels;
- To be tough on issues, not on people; to be friendly, collegial and no-nonsense;
- To listen and share perspectives;
- To ask the tough questions without being confrontational and use straight talk in our communications;
- To exhibit enthusiasm for success; and
- To maintain a healthy sense of humor.

IV. The Role of the Board

The day-to-day operations of the Company are managed by the Chief Executive Officer (the “CEO”) and his management team. The Board is responsible for overseeing management in these duties to ensure the long-term interests of stockholders are being served.

Selection and Evaluation of Chief Executive Officer and Senior Management; Succession

The Board is responsible for selecting, evaluating, and compensating the CEO. Consistent with the authority delegated to the Compensation Committee pursuant to its charter, the Compensation Committee of the Board shall (1) review and approve corporate goals and objectives relevant to compensation of the CEO; (2) conduct an annual review and evaluation of the performance of the CEO in light of those goals and objectives, with input from the other members of the Board; and (3) propose to the Board the compensation level of the CEO based on such evaluation. The Compensation Committee shall take into account any recommendations of the Board regarding such review and evaluation process and the specific criteria on which the performance of the CEO is evaluated. The Board also participates with the CEO in the selection, evaluation and compensation of senior managers who may be candidates to succeed the CEO.

The Board shall ensure an appropriate succession planning process is in place for the Chief Executive Officer and senior management and shall implement agreed upon succession plans in emergency situations. The Board has adopted a Management Succession Planning Policy which provides

a framework for the Board to prepare for succession of personnel for certain critical management positions of the Company.

Risk Management Oversight

The Board is responsible for understanding and evaluating major risks to the Company and ensuring that management implements appropriate risk management control systems and processes to manage risks. The Board has established the Business Risk Committee with delegated responsibility to assist the Board with its fulfillment of risk oversight.

Corporate Strategy

The Board shall participate in periodic strategic planning sessions. Management shall present strategic plans and initiatives to the Board for evaluation and approval, and the Board is responsible for overseeing management's implementation of the Company's mission and strategy.

Board Assessment

The Board believes it is in the best interest of the Company to conduct an annual evaluation process to assess the current performance of the Board and the committees of the Board in order to identify areas for potential improvement or opportunities to enhance the effectiveness of the Board's oversight.

Additional Board Duties

Other duties and responsibilities of the Board include, but are not limited to:

- Ensuring corporate ethical standards and legal compliance;
- Approving material capital allocations and expenditures and material transactions not in the ordinary course of business;
- Ensuring the integrity of the corporation's financial control and reporting system;
- Expressing concerns to the Chairman of the Board or, if applicable, the Lead Director; and
- Such other duties and responsibilities as described elsewhere in these Guidelines.

Board duties may be delegated to committees of the Board as deemed appropriate by the Board and in accordance with the Company's By-laws and committee charters and applicable law and regulation.

V. Board Leadership

The Board believes that it is best served by having independent leadership of the Board. Ordinarily this will be served by a non-executive Chairman of the Board who is independent ("Non-Executive Chairman"). In circumstances when the Board determines to name a Chairman who is not independent, the Board will name an independent member to serve as Lead Director.

The duties of the Non-Executive Chairman shall include:

- Along with the Chief Executive Officer, setting the “tone at the top”;
- Presiding at stockholder meetings;
- Leading and managing the business of the Board in a manner to promote Board effectiveness in all aspects of its role:
 - Agenda setting;
 - Chairing Board meetings;
 - Fostering an atmosphere of mutual respect and trust with open and frank communications;
 - Ensuring there are constructive relations between directors and between directors and the executive team;
 - Ensuring that the respective responsibilities of the Board and management are understood, and that the boundaries between Board and management responsibilities are respected;
 - Conferring with the Chief Executive Officer and Corporate Governance Committee regarding recommended composition of the Board’s committees and the selection and potential rotation of committee members and chairs;
 - Ensuring the proper and timely flow of information to support discussion and decisions;
 - Maintaining regular ongoing communication with the Chief Executive Officer regarding the Company’s business initiatives and developments to ensure that appropriate matters are elevated to the Board in a timely matter;
 - Ensuring the constructive challenge of management on the critical issues;
 - Ensuring an appropriate strategic planning process;
 - Ensuring the Board has visibility of, and approves where necessary, important organization changes and appointments;
 - Making recommendations regarding retention of consultants as needed to report directly to the Board on non-committee board matters; and
 - In conjunction with the chair of the Corporate Governance Committee, addressing any issues relating to the performance of individual directors.
- Call special meetings of the Board in emergency situations;

- Chair executive sessions of non-management and independent directors of the Board and providing prompt feedback to the Chief Executive Officer as appropriate;
- Convey Board concerns in a unified voice by prioritizing the issues and synthesizing the views of the Board;
- Provide counsel, coaching and support to management; and
- Ensure the Board attains its aspiration to provide the Company a Competitive Advantage.

In circumstances where a Lead Director has been appointed, the Lead Director shall assume responsibility for chairing executive sessions of independent directors, conveying any concerns of independent members in a unified voice, and such other of the responsibilities of the Chairman as the Board determines appropriate, depending on the circumstances.

VI. Director Performance Expectations

The duties of a director arise from the responsibility to contribute to the governance of the corporation in a manner consistent with the primary objective of creating stockholder value. Those duties include:

- Regularly attending Board meetings and important related meetings;
- Making a serious commitment to participate actively in committee work;
- Volunteering for and willingly accepting assignments and completing them thoroughly and on time;
- Staying informed about Board and committee matters, being well prepared for meetings and reviewing and commenting on minutes and reports;
- Getting to know other members and building collegial working relationships that contribute to consensus;
- Actively participating in the annual evaluations and committee planning efforts;
- Seeks to act in the best interests of stockholders and avoids conflicts of interest;
- Offers insight, support and advice to management in valuable area of expertise;
- Advances the Company's business purpose as appropriate;
- Maintain confidentiality of non-public information received from the Company or its advisors and information obtained during Board and Committee meetings;
- Complies with the Company's Code of Ethics; and
- Abides by the Board Principles, as outlined in Section III and agreed to by each member of the Board.

VII. Management/Board Interaction

In order to ensure the working relationship between the Board and management is efficient and productive, the Board and management have agreed on the following guidelines:

- Management expectations of the Board:
 - Invest the necessary time, energy and effort to understand the business and prepare for meetings;
 - Provide open, honest and constructive feedback. Board members should be respectful in expressing their views, but should express their views and should do so in the Boardroom;
 - Actively engage and participate in Board discussions;
 - Encourage timely and sound decision-making. Once a decision is reached, support management;
 - Avoid micromanaging; and
 - Participate in strategic planning.
- Board expectations of management:
 - Honesty, integrity and the highest ethical standards;
 - No surprises: Keep the Board informed of significant issues and be up front and open about problems.
 - Come to the Board with a point of view, but provide a balanced perspective, including presenting the pros and cons of other alternatives and the risks and implications of the proposed course of action;
 - Run the Company's business effectively; and
 - Implement and execute on the Company's strategic plans.
- Desired climate/culture of the Board:
 - The Board should be open, inclusive, candid, respectful and collaborative;
 - Board members should challenge management and each other and be willing to ask the stupid question and express the contrary viewpoint; and
 - Guard against polarization among directors, which could potentially occur on many fronts: geographic divisions, personal financial stakes, and the longer-serving director group versus the newer director group.

- Working relationship between the Board and management:
 - Is one of mutual respect;
 - Is defined by openness, good communication and transparency; and
 - Walks the fine line between being professional and collaborative, while remaining constructively critical.

VIII. Selection and Nomination of Directors

The Corporate Governance Committee and the Board will evaluate potential director candidates and incumbent directors for Board membership. The Corporate Governance Committee's objective is to find qualified, effective and engaged directors and will select director candidates in accordance with the Director Nomination Procedures, as approved by the Corporate Governance Committee (attached hereto as Appendix A). In evaluating the suitability of individual candidates and nominees for Board membership, the Corporate Governance Committee and the Board shall consider relevant personal and professional factors consistent with the current and future needs of the Company, including but not limited to the Board's desire to have, over time, directors who in the aggregate, have:

- A general understanding of marketing and public relations; financial regulation; technology; finance; financial services; commercial real estate; corporate strategy; executive management of a public company; risk assessment and management; merger, acquisition and fast-track growth business experience; and other elements relevant to the operation of a mid-market publicly-traded bank in today's challenging business environment;
- A relevant educational and professional background;
- Unquestioned integrity, ethics, reputation and character; and
- Demonstrated continued civic leadership within the communities the Company serves.
- Commitment to the Company's Values; accountability;
- Able and willing to devote sufficient time and attention to fulfilling Board duties and responsibilities;
- Communication, leadership and team building skills;
- Comprehension of the Company's business plans and strategies; financial sophistication and/or literacy;
- Ability to assist in the formulation of business strategies and to monitor and guide expectations;
- Equipped to make informed and defensible business judgments on wide range of issues;
- Ability and willingness to exercise independent judgment and express tough opinions;

- Collegial personality; nonconfrontational and constructive, but able to challenge, ask tough questions in a manner that encourages open discussion and assess responses;
- Good health and mental alertness;
- Alignment of personal interests with long-term interests of stockholders.

The Corporate Governance Committee and the Board shall evaluate each individual candidate and nominee in the context of the Board as a whole, with the objective of recommending a slate of nominees who can best oversee the management of the business and represent stockholder interests through the exercise of sound judgment. In fulfilling its responsibilities in this annual director nominations process, the Corporate Governance Committee reviews the experience, qualifications, attributes and skills of all current directors and the existing composition of the Board to evaluate the appropriate mix of disciplines, experience and other characteristics required of board candidates in the context of perceived needs of the Company at a particular point in time. The Board believes a range of experience, knowledge and judgment and a diversity of perspectives on the Board will enhance the effectiveness of the Board if each director has the personal characteristics, commitment and experience to participate actively in the board process. The Board also believes continuity in leadership and board tenure will maximize the Board's ability to exercise meaningful board oversight.

The Corporate Governance Committee and the Board shall employ a process of inclusive diversity to consider candidates with a range of experience, age, gender, ethnicity, race, education and other attributes which contribute to the Board's diversity.

The Board believes there should be a significant majority of independent directors on the Company's Board. In the future, it is expected that non-management directors should generally be independent under the standards established by The Nasdaq Stock Market for director independence, although the Board recognizes there may be appropriate exceptions under unusual circumstances. The Board also believes it is appropriate to have management representation on the Board for the valuable contribution they can make based on their intimate business knowledge and experience. If at any time the Board determines that a director no longer qualifies as independent, that director should submit an offer of resignation from the Board and each of the Committees on which such member serves. The Board need not accept such offer of resignation; however, the submission of such offer of resignation provides the opportunity for the Board to review the appropriateness of the continuation of such individual's membership on the Board. The Corporate Governance Committee will review any offer of resignation and will make a recommendation to the full Board regarding the appropriateness of the continuation of such director's membership on the Board. In determining whether to recommend a member of the Board for re-election, the Corporate Governance Committee and the Board shall also consider such member's past attendance at meetings and participation in/contributions to the activities of the Board, in accordance with the Company's Director Nomination Procedures.

IX. Term Limits; Retirement; Limits on Service; Changes in Position

The Board does not believe that term limits on a director's service or a mandatory retirement age are appropriate. Directors who have served the Board for an extended period of time provide valuable insight, knowledge, experience and understanding to the Board discussions. Instead of mandatory term limits and retirement age, the Board, through the Corporate Governance Committee, continually will assess the needs of the Board and evaluate the skills and experience of the current directors. Additionally, the Corporate Governance Committee and the Board will, as part of its annual review, revisit any such limits and require them if needed.

The Board acknowledges that significant time is required to be a fully participating and effective member of the Board; therefore, the Board believes that:

- a member of the Board who is a member of the Company's management, including the CEO, should not hold more than one (1) directorship of a public company other than the Company, and any requests for outside board service should have Board approval;
- a member of the Board who is employed on a full-time basis as an executive officer of an entity other than the Company should not hold more than two (2) directorships of public companies other than the Company;
- any other member of the Board should not hold more than three (3) directorships of public companies other than the Company; and
- no member of the Audit Committee should serve on the audit committee of more than three (3) other public companies.

For this purpose, a "public company" refers to a Securities and Exchange Commission ("SEC") reporting company, provided that SEC-registered investment companies (*i.e.*, mutual funds) shall be rolled up to fund families, with one fund family counting as one public company. The Board does not believe that its members should be prohibited from serving on boards of directors and/or committees of not-for-profit entities or organizations and the Board has not adopted any guidelines limiting such activities, provided that each member of the Board is responsible for ensuring that the time required by such activities is not detrimental to such member's ability to fulfill the duties and responsibilities of membership on the Board. The Corporate Governance Committee and the Board, however, will take into account the nature of, and time involved in, the service of a member of the Board of Directors to other entities and organizations in evaluating the suitability of individual members for service on the Board. Notwithstanding the foregoing, any service to other entities and organizations shall be consistent with the Company's conflict-of-interest policies and all laws, rules and regulations applicable to the Company, including those of the SEC.

Senior members of the Company's management team (direct reports to the CEO) should obtain the approval of the Board, in consultation with the Corporate Governance Committee, prior to accepting a new directorship of a public company. In considering whether to grant such approval, the Board and the Corporate Governance Committee shall examine the proposed relationship for potential conflicts of interest and time.

The Board should consider whether a significant change in the professional responsibilities of a member of the Board directly or indirectly impacts the ability of such member to fulfill his or her responsibilities as a member of the Board. Should any member of the Board experience a significant change in his or her professional responsibilities, such as ceasing to hold the business position that he or she held upon initial election to the Board, such member should submit to the Corporate Governance Committee written notification of such change and an offer of resignation from the Board and each of the Committees on which such member serves. The Board need not accept such offer of resignation; however, the submission of such offer of resignation provides the opportunity for the Board to review the appropriateness of the continuation of such individual's membership on the Board. The Corporate Governance Committee will review any written notification and offer of resignation and will make a recommendation to the full Board regarding the appropriateness of the continuation of such director's membership on the Board.

X. Vacancies and New Positions

The Board may fill vacancies and newly-created positions resulting from any increase in the authorized number of directors in the manner provided in the By-laws of the Company. Should the Board choose to fill such vacancies or newly-created positions, the Board shall select such directors from among the candidates identified and recommended by the Corporate Governance Committee.

XI. Committees of the Board

The Board has established the following committees: (1) audit committee, (2) compensation committee, (3) corporate governance committee and (4) risk management committee. From time to time, the Board may form, and delegate responsibility to, a new committee provided the committee is governed by a charter approved by the Board. Each committee will perform the duties delegated to it by the Board and as provided in the By-laws of the Company and the committee charter.

The Board will appoint a chair for each committee of the Board. The duties of the committee chair include ensuring the committees address those tasks assigned to individual committees for improved efficiency in satisfying the evolving needs of the Board. Those duties include:

- Setting the tone for the committee work;
- Ensuring that members have the information needed to do their jobs through coordination with appropriate management;
- Overseeing the logistics of the committee's operations;
- Keeping the Board Chairman or Lead Director informed;
- Reporting to the full Board on the committee's decisions/recommendations;
- Working closely with the CEO and other staff as agreed to by the CEO;
- Assigning work to committee members, setting the agenda for and running committee meetings and ensuring distribution of meeting minutes;
- Ensuring that an executive session is held for each committee meeting, as needed, and that prompt and candid feedback is provided to the CEO or other management regarding committee affairs; and
- Initiating and leading the committee's annual evaluation.

Committee chairs shall present results of deliberations and other need-to-know information to the full Board in a concise form. Approval requests should be summarized. Trends and update reports shall be given as appropriate. Substantive matters for decision shall be summarized and presented in a timely manner for action.

XII. Meetings of the Board and the Committees of the Board

The Independent Chair or Lead Director will work with management to set the Board and committee meeting schedule and to set the agenda for each meeting of the Board to ensure meeting time

is focused on top priorities. The Independent Chair or Lead Director will be responsible for leading meetings of the Board, including ensuring that the Board discussions remain focused on the topics at hand and valuable to the goals of the Board. Each meeting of the Board will conclude with an Executive Session that will exclude all members of management, except for the CEO as appropriate. At least twice a year, and in accordance with the NASDAQ listing rules, the independent members of the Board will meet without members of management or non-independent directors.

When feasible, all materials, information and data that are relevant to the understanding by directors of matters to be discussed at the meetings should be distributed by management, either electronically or in writing or both, to all members of the Board no later than the Friday before a Board or committee meeting. Such materials, information and data shall be presented in a manner that, considering the complexity of the materials, information and data, will provide each director with the ability to review the materials, information and data, in the context of the Company's strategy and risk appetite. The presentation shall also allow progress of decisions or other actions to be tracked over time.

It is acknowledged that, in some situations, exigent circumstances or the need to protect confidential and proprietary information may make it impracticable to provide information in advance of a meeting, in which case adequate time shall be provided at such meeting for review and discussion of information not provided in advance.

XIII. New Director and Continuing Education

Within the first ninety (90) days after election or appointment to the Board, each new member of the Board shall commence participation in a mandatory orientation program – which shall be completed within the first one hundred eighty (180) days after election or appointment – in which such new member will have the opportunity to meet with members of the operating management team. In addition, the management of the Company shall provide new directors with materials, briefings and educational opportunities to permit them to become familiar with the Company and to enable them to better perform their duties. From time to time on a continuing basis, all members of the Board shall also receive additional materials, briefings and educational opportunities to enable them to remain current with matters within their purview.

Directors are encouraged to attend educational seminars and programs to increase director knowledge and awareness of issues of importance and relevance to the Company, the Board, a committee on which a director serves and corporate governance best practices. Reimbursement for educational seminars and programs will be made in accordance with the Director Expense Reimbursement Policy, a copy of which has been made available to all directors.

XIV. Board Advisors

The Board and its committees (consistent with the provisions of their respective charters) may retain their own advisors at the expense of the Company and without management approval, as they deem necessary to carry out their responsibilities.

XV. Board Compensation

Directors who are employees shall not receive any compensation, directly or indirectly, for their services as directors. The Compensation Committee shall be responsible for considering and recommending to the Board the compensation and any benefits for non-employee directors, which shall be subject to the full discussion and approval by the Board. In discharging this duty, the Compensation

Committee shall be guided by the following goals: (1) compensation should fairly pay directors for the work they perform and (2) the structure of the compensation should be simple, transparent and easy for stockholders to understand.

XVI. Stock Ownership Guidelines

The Company believes that significant stock ownership by our executive officers and directors strengthens the alignment of the executive officers and directors with the interests of our stockholders and promotes our long term business objectives. Under the Company's stock ownership guidelines, the Chairman of the Board, non-employee directors, the CEO and other executive officers are expected to accumulate shares of our common stock to meet the applicable ownership level within five years of their election or appointment. To meet the required level, the officer or director must have acquired and must hold shares having a value equal to the applicable level. Until the officer or director has reached the applicable level, the officer or director must retain at least 50% of the number of shares (net of taxes) received by the officer or director upon exercise of stock options or vesting of stock awards. The ownership guidelines are as follows:

| <u>Position</u> | <u>Stock Ownership Level</u> |
|------------------------|------------------------------|
| CEO | 5x annual base salary |
| Executive Officers | 3x annual base salary |
| Non-employee Directors | 3x annual retainer |

XVII. Stockholder Engagement and Communication

We believe in proactive and transparent communication and engagement with our stockholders to promote an understanding of the values we maintain, our governance framework, the decisions we make and how we make them, our business strategy and our financial performance, and we welcome receiving communications from our stockholders regarding these matters. Generally, the Board relies on the CEO, and other officers designated by him or her, to speak for the Company, and management is generally responsible for managing the Company's corporate communications and investor relations activities. We believe this approach supports consistent messaging and fair disclosure to our stakeholders.

From time to time, it may be appropriate for one or more of our non-executive directors to speak or meet with stockholders. Any such communication will occur only under the direction and oversight of the Non-Executive Chairman (or the Lead Director if the Chairman is not an independent director) and in coordination with the CEO and other officers designated by him or her. Topics that could be considered for stockholder-director engagement include governance-related topics for which the Board is directly responsible, such as, for example, Board composition and leadership, executive compensation and succession planning and long-term corporate strategy.

Stockholders of the Company may contact the Board or any committee of the Board about governance-related matters or other matters specific to the Board's responsibilities. Inquiries from stockholders directed to the Board will be received and processed by the Corporate Secretary before being forwarded to the Board, the appropriate Committee or a particular director as designated in the communication. Communications relating to other topics, including those that are primarily commercial in nature, generally will not be forwarded. Written correspondence may be directed to the Board at

PrivateBancorp, Inc., c/o Office of the Corporate Secretary, 120 South LaSalle Street, Suite 400, Chicago, Illinois 60603.

Directors are expected to attend the Company's annual meeting of stockholders, except if extenuating circumstances excuse a director's attendance.

XVIII. Company Code of Ethics

The Company Code of Ethics sets out the basic values, principles and ethical standards by which the Company, its directors and its employees conduct business activities. The Company Code of Ethics covers, among other things, the Company's policies concerning: conflicts of interest, corporate opportunities, confidentiality, fair dealing, accuracy and integrity of financial reporting and the reporting of any illegal or unethical behavior. The Board, as may be delegated to the Corporate Governance Committee, will periodically review and evaluate the Company Code of Ethics and make such changes therein as it finds to be necessary or appropriate.

APPENDIX A

DIRECTOR NOMINATION PROCEDURES

These procedures have been adopted by the Corporate Governance Committee (the “Committee”) of the Board of Directors of PrivateBancorp, Inc. to establish an effective process for evaluating the qualifications of current and potential director nominees, including candidates recommended in a timely manner by stockholders of the Company, in order to fulfill its responsibilities to identify and select Board nominees who are in a position to exercise independent judgment, provide effective oversight of management and serve the best interests of stockholders. In addition to requiring consideration of individuals’ qualifications relative to any director qualification standards and/or policies approved by the Board from time to time, these procedures are intended to promote a regular assessment by the Committee of the effectiveness of the Board composition relative to then current needs of the Company.

These procedures were first adopted as of February 4, 2010, and may be changed by the Committee as it deems appropriate from time to time.

1. Annual Review of Board Composition

The Committee believes that the makeup of the Board is largely responsible for its overall effectiveness in fulfilling its management oversight responsibilities. In connection with the Committee’s annual performance assessment of the Board and its evaluation of Board structure and function, the Committee will assess the particular experience, qualifications, attributes, and skills of all directors and consider the diversity of the Board members and whether the mix of experience and expertise among Board members continues to be appropriate for the Company.

In considering the potential nominee slate, including incumbent directors, the Committee shall take into account: (i) the annual assessment of the particular experience, qualifications, attributes, and skills of all directors, including current directors not up for re-election and all potential nominees, as performed by the Corporate Governance Committee (ii) the perceived business needs relative to Board composition, (iii) the results of the independence analysis for each current director and director nominee, (iv) the collegiality of Board members, and (v) legal or regulatory requirements applicable to the Company. In addition to these factors, which may change depending on business developments at the Company, the Committee shall consider the following factors regarding Board composition:

- at all times, at least a majority of directors must be “independent” in the opinion of the Board as determined in accordance with listing standards of The Nasdaq Stock Market;
- at all times at least three members of the Board must satisfy the heightened standards for Audit Committee members;
- at all times at least three members of the Board must satisfy the heightened standards for Compensation Committee members; and
- at all times the Board should have at least one member who satisfies the criteria to be designated by the Board as an “audit committee financial expert.”

2. Consideration of Incumbent Directors for Re-nomination

The Committee believes qualified incumbent directors are generally uniquely positioned to provide stockholders the benefit of continuity of leadership and seasoned judgment gained through experience as a director of the Company. The value of these benefits may outweigh other factors. Therefore, it is expected that the Committee will generally consider re-nomination of incumbent directors, provided they continue to meet the director qualification criteria adopted by the Board. However, the Committee need not necessarily nominate eligible incumbent directors for re-election. The Committee shall report any decision to not re-nominate an incumbent director, as well as the reasons behind this decision, to the full Board of Directors in advance of the Board meeting at which the Board is being asked to approve the slate of directors. In considering an incumbent director as a nominee, the Committee, sufficiently in advance of each annual meeting (and more often as deemed appropriate), shall:

- Assess the individual performance and contribution of each director whose term is expiring at the next annual meeting;
- Assess Board skill and experience requirements;
- Evaluate any change in circumstances to confirm the independence status of each such director; and
- Evaluate the director's continued fulfillment of the director qualification criteria.

3. Consideration of New Director Candidates

In addition to individuals identified by members of the Committee as potential candidates, the Committee expects that management and other members of the Board will from time to time make recommendations regarding potential board candidates. The Committee may also receive recommendations from stockholders.

Regardless of the source of a recommended director candidate, the Committee shall not propose any new candidate for nomination unless the Committee has evaluated the individual's qualifications on the basis of (i) sufficient background information obtained directly from the candidate, (ii) references or background checks obtained from third parties to the extent the Committee deems advisable; and (iii) interviews of the candidate by the Chairman of the Board, and Chairman of the Committee, and by one or more members of the Committee.

The Committee recognizes that it may identify, or receive recommendations of, more qualified candidates than would be feasible or practical to consider, in which case the Committee shall not be obligated to consider or pursue more potential candidates than it deems reasonably necessary or appropriate in order to select qualified nominees.

4. Stockholder Recommendations of Potential Director Candidates

The Committee will consider serious director nominee recommendations from stockholders only if they are timely received in accordance with the provisions of the Company's By-laws and only if the Committee deems it feasible and practical to pursue additional candidates at such time. In order to afford the Committee sufficient opportunity to evaluate serious director candidates recommended by stockholders and determine the slate in advance of annual meeting preparations, and pursuant to the

Company's By-laws, stockholder director nominee recommendations must be received in writing at the principal executive offices of the Company, addressed to the Committee, at least 120 days prior to the date of the annual meeting. The Secretary of the Company shall promptly forward to Committee members any recommendations so received. In addition, to be considered timely, any such stockholder recommendation must set forth (a) the proposed nominee's name and qualifications and the reason for such recommendation, (b) the name and the record address of the stockholder or stockholders proposing such nominee, (c) the number of shares of stock of the Company which are beneficially owned by such stockholder or stockholders, and (d) a description of any financial or other relationship between the stockholder or stockholders and such nominee or between the nominee and the Company or any of its subsidiaries. The Committee, through the Secretary of the Company, will endeavor to acknowledge its receipt of any timely recommendation received and notify the stockholder of the actions taken with respect to such candidate.