

CORPORATE GOVERNANCE GUIDELINES
OF
STAGE STORES, INC.

March 28, 2007

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**CORPORATE GOVERNANCE GUIDELINES
OF STAGE STORES, INC.
March 28, 2007**

DESCRIPTION AND PURPOSE

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Stage Stores, Inc. (the “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 directors and the Company’s management can 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 intended to be a work in progress subject to annual review and modification from time to time by the Board.

I. DIRECTOR SELECTION

A. Directorship Qualifications

Nominees for director shall be selected on the basis of broad experience, wisdom, integrity, the ability to make independent analytical inquiries, an understanding of the Company’s business environment, and a willingness to devote adequate time to Board duties.

The Corporate Governance and Nominating Committee shall be responsible for assessing the appropriate balance of skills and qualifications required of directors.

B. Director and Executive Officer Questionnaire

Each candidate for director shall complete and sign a Director and Executive Officer 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 Director and Executive Officer Questionnaire in a form deemed appropriate by the Board. In the event any information contained on a director’s most recent Director and Executive Officer Questionnaire become incomplete or inaccurate, it shall be the responsibility of the director to provide complete and accurate information to the Corporate Governance and Nominating Committee within thirty days.

C. Selection of Directors

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. The Corporate Governance and Nominating Committee shall be responsible for identifying, recruiting, and recommending potential candidates to the Board for directorship. When formulating its director recommendations, the Corporate Governance and Nominating Committee shall also consider any advice and recommendations offered by the Chief Executive Officer and any non-committee members of the Board as well as any written recommendations received from the shareholders of the Company.

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 Chief Executive Officer of the Company, together with an Independent Director.

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 directors should be shareholders and have a financial stake in the Company in an amount that a director deems appropriate. While the Board does not believe it appropriate to specify the level of stock ownership for individual directors, each director must develop and maintain a stock position in the Company with a an original investment of at least four times the Annual Retainer (the "Original Investment"), by the later of (i) three years of the date of the Director's initial election to the Board, or (ii) August 29, 2009. In determining whether the director has achieved the Original Investment, the director can include (i) a director's tax basis in any stock acquired by the director in open market purchases, and (ii) 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 2003 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.

Notice and Compliance. Each director shall promptly and fully (i) comply with the Company's Insider Trading and Reporting Policy, (ii) report all purchases, sales, pledges and other transactions in the Company's securities to the Company's Compliance Officer, 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 are encouraged to limit the number of other boards (excluding non-profit) on which they serve, taking into account potential board attendance, participation and effectiveness on those boards. Independent Directors should also advise the Chairman of the Corporate Governance and Nominating Committee prior to accepting an invitation to serve on another board.

H. Director Education

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

II. BOARD LEADERSHIP

A. Selection of Chairman and Chief Executive Officer

The Board should be free to choose its Chairman in any way that seems best for the Company at any given point in time. Therefore, the Board does not have a policy, one way or the other, on whether or not the role of the Chairman and Chief Executive Officer should be separate or combined.

B. Chairman of the Corporate Governance and Nominating Committee

The Chairman of the Corporate Governance and Nominating Committee shall be an Independent Director, shall be appointed by the Independent Directors, and shall be responsible for chairing meetings of the Corporate Governance and Nominating Committee. The Chairman of the Corporate Governance and Nominating Committee, together with the members of that Committee, will develop the agendas for the regular meetings of the Corporate Governance and Nominating Committee and periodically evaluate these Guidelines and any other Company corporate governance procedures.

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; Matters of Corporate Governance

Independent Directors shall constitute a majority of the Board; provided, that the Company shall maintain a minimum of three (3) Independent Directors on the Board. Furthermore, no more than two of the Company's executive officers may serve on the Board at the same time.

On matters of corporate governance, the Board assumes decisions will be made by the Independent Directors with the advice of the Chief Executive Officer.

C. Board Definition of Independent Director

As used in these Guidelines, "Independent Director" means a member of the Board who does not have a material relationship with the Company, including any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). A director is not independent if::

1. The director is, or has been within the last three years, an employee of the Company, or an Immediate Family Member is, or has been within the last three years, an Executive Officer of the Company;

2. The director has received, or has an Immediate Family Member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is contingent in any way on continued service);
3. The director or an Immediate Family Member is a current partner of a firm that is the Company's internal or external auditor; the director is a current employee of such a firm; the director has an Immediate Family Member who is a current member of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an Immediate Family Member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;
4. The director or an Immediate Family Member is, or has been within the last three years, employed as an Executive Officer of another company where any of the Company's present Executive Officers at the same time served on that company's compensation committee; or
5. The director is a current employee, or an Immediate Family Member is a current Executive Officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues. In applying this test, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between the Company and the director or Immediate Family Member's current employer; the Company need not consider former employment of the director or Immediate Family Member.

For purposes of independence, any three year look back periods commence on the date the relationship ceases.

An "Executive Officer" means the Company's chief executive officer, president, principal financial officer, principal accounting officer (or, there is no such accounting officer, the controller), any vice president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy-making functions for the Company.

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.

For certain functions, such as membership on the Company's Audit or Compensation Committees, more specific independence standards may be used in order to comply with

applicable rules and regulations, such as SEC and NYSE or other exchange rules in the case of the Audit Committee and Section 162(m) of the Internal Revenue Code in the case of the Compensation Committee. In those cases, the definition of Independent Director shall be set forth in the respective committee's charter.

D. Lead Independent Director

The Independent Directors shall appoint a Lead Independent Director. The Chairman of the Corporate Governance and Nominating Committee may, but need not be, appointed the Lead Independent Director. If the Chairman of the Board is an Independent Director, there will be no Lead Independent Director.

The Lead Independent Director shall perform the following duties:

- Coordinate the activities of the Independent Directors;
- Provide the Chairman of the Board with input on agendas for the Board and Board committee meetings;
- Coordinate and develop the agenda for, and chair executive sessions and other meetings of, the Independent Directors;
- Facilitate communications between the Chairman of the Board and the other members of the Board, including communicating other members' requests to call special meetings of the Board;
- Discuss the results of the Chief Executive Officer's performance evaluation with the Chairman of the Compensation Committee;
- 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
- Preside at regularly scheduled executive sessions of the Independent Directors.

In performing the duties describe above, the Lead Independent Director 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. Former Chairman/Chief Executive Officer's Board Membership

It is expected that when a Chairman or a Chief Executive Officer resigns from that position, 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 is a matter for discussion at that time with the new

Chairman or Chief Executive Officer and the Board. A former Chairman or Chief Executive Officer serving on the Board will not be considered an Independent Director for purposes of voting on matters of corporate governance until he or she meets the definition of Independent Director set forth in these Guidelines.

F. 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.

It is the sense of the Board that 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, 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. The Board does not believe that Independent Directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. The Corporate Governance and Nominating Committee will recommend to the Board action to be taken regarding the resignation based on the circumstances of retirement, if that is the case, or in the case of a new position, the responsibility and type of position and industry involved.

G. Term Limits

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 will also allow each director the opportunity to conveniently 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.

H. Retirement Age

It is the sense of the Board that a retirement age of 75 is appropriate. Therefore, no director who has reached the age of 75 years shall be nominated for re-election to the Board.

I. 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 (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.

It is appropriate for the staff of the Company to report at least once a year to the Corporate Governance and Nominating Committee on the status of the Company's Board compensation in relation to the compensation of directors of the Company's peer companies.

Changes in Board compensation, if any, should come at the suggestion of the Corporate Governance and Nominating Committee, but with full discussion and approval by the Board.

J. 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 Lead Independent Director. The format of these meetings will ordinarily include a discussion with the Chairman and the Chief Executive Officer on each occasion, as appropriate.

K. Evaluation of the Guidelines and the Board's Performance

With input from the other directors, the Corporate Governance and Nominating Committee shall report annually to the Board on its evaluation of these Guidelines, any other corporate governance policies, and the overall performance of the Board and any and all related party transactions (transactions involving the Company and any officer, director, employee or their affiliates and immediate families). Its evaluation will be discussed with the full Board. With respect to the Board, the evaluation should be of the Board's overall performance as a whole and should specifically review areas in which the Board and/or management believes a better contribution could be made. The purpose of the evaluation is to increase the corporate governance effectiveness of the Board, not to target individual directors. The Corporate Governance and Nominating Committee shall be responsible for establishing the evaluation criteria and implementing the process for the annual evaluation.

L. Board Interaction with Third Parties

The Board believes that management 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 management, individual directors may, from

time to time and at the request of management, 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 or the Lead Independent Director.

M. Attendance at Board, Committee and Annual Meetings

It is expected that directors will attend a minimum of 75% of the aggregate of (a) the total number of meetings of the Board (held during the period for which he or she has been a director) and (b) the total number of meetings held by all committees of the Board on which he or she served (during the periods that he or she served). It is the Board's policy that directors should attend the Company's annual meeting of shareholders absent exceptional cause.

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

Directors shall have complete access to the Company's senior management. It is assumed that directors will use sound business judgment to be sure that any contact is not distracting to the business operation of the Company and that any contact, if in writing, be copied to the Chairman of the Board or Chief Executive Officer, as appropriate.

Furthermore, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the 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 and Master Calendar for Board Meetings

The Chairman of the Board, in consultation with the Lead Independent Director and the Chief Executive Officer, shall establish the agenda for each Board meeting and provide a written copy to the entire Board prior to the meeting. At the beginning of each fiscal year, they shall also establish a Master Calendar. The Master Calendar shall set forth a general agenda of items to be

considered by the Board at each of its specified meetings (to the degree these can be foreseen). Upon completion, a copy of the Master Calendar shall be provided to each director. Each director shall be free to suggest inclusion of items on the Master Calendar and any other Board agenda as well as be free to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

C. Board Materials Distributed in Advance

Information and data that is important to the Board's understanding of the Company's business will be distributed in writing to the Board sufficiently in advance of the Board meeting to allow for meaningful review before 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. Board Presentations

As a general rule, presentations on specific subjects should be sent to the directors 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 put on paper, the presentation will be discussed at the meeting.

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. However, 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. Assignment 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. With regard to the Chairman of the Corporate Governance and Nominating Committee, that position shall rotate at least once every three years.

C. Frequency and Length of Committee Meetings

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

D. Committee Agenda and Master Calendar

The Chairman of each committee, in consultation with the appropriate members of the committee and management, shall establish an agenda for each committee meeting and provide a copy to each committee member prior to the meeting. At the beginning of each fiscal year, each committee shall also establish a Master Calendar. The Master Calendar shall set forth a general agenda of items to be considered by the committee at each of its specified meetings for the ensuing year (to the degree these can be foreseen). Upon completion, a copy of each committee's Master Calendar shall also be provided to each director. Each committee member shall be free to suggest the inclusion of items on the committee's Master Calendar and any other committee agenda as well as be free to raise at any committee meetings subjects that are not specifically on the agenda for that meeting.

VII. COMPENSATION OBJECTIVES AND PRINCIPLES

The objectives of the Company's compensation program are as follows:

- to enable us to recruit, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short and long-term business objectives;
- to maximize the long-term commitment of our executive officers to our success by providing compensation elements that align their interests and our shareholders in that the compensation elements are directly related to our stock performance and other financial metrics that the Committee believes influence the creation of long-term shareholder value; and
- to reward our executive officers upon the achievement of short-term and long-term business objectives and enhanced shareholder value.

The principles of the Company's compensation program are as follows:

- Compensation arrangements shall emphasize pay-for-performance and encourage retention of those executive officers who enhance the Company's performance;
- Compensation arrangements shall promote ownership of the Company's stock to align the interests of executive officers and shareholders;
- Compensation arrangements shall maintain an appropriate balance between base salary and annual and long-term incentive compensation;
- In approving compensation, the recent compensation history of the executive officer, including special or unusual compensation payments, and all forms of compensation to which the executive officer may be entitled, shall be taken into consideration using tally sheets or other comparable tools the Compensation Committee deems appropriate;

- Cash incentive compensation plans for executive officers shall link pay to achievement of goals set in advance by the Compensation Committee;
- The Compensation Committee shall set annual and long-term performance goals for the Chief Executive Officer and evaluate his or her performance against those goals and the performance of the Company's Peer Group;
- In the event minimum thresholds for annual and long-term performance goals are not met, incentive compensation related to those goals shall not be paid;
- The compensation of the Chief Executive Officer and other executive officers shall be recommended to the Board for final approval by the Compensation Committee comprised solely of Independent Directors;
- The Chief Executive Officer may not be present during deliberations and voting regarding his or her compensation. While the Chief Executive Officer may be present during deliberations and voting on the other executive officers' compensation, the Chief Executive Officer makes recommendations, but does not vote on their compensation;
- The Committee shall meet at least once each year in executive session, without the Chief Executive Officer; and
- It is the policy of the Board that the Company should not reprice or swap stock options granted to executive officers, Directors and employees.

VIII. LEADERSHIP DEVELOPMENT

A. Formal Evaluation of the Chairman and Chief Executive Officer

The Board, with input from the Chief Executive Officer and the Compensation Committee, shall annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the Chief Executive Officer's annual performance evaluation. Each year, the Chief Executive Officer shall make a presentation to the Board or furnish a written report to the Board indicating his or her progress against the established performance criteria. Thereafter, with the Chief Executive Officer absent, the Board shall meet in Executive Session to review the Chief Executive Officer's performance. The results of the review and performance evaluation shall be communicated to the Chief Executive Officer by the Lead Independent Director and the Chairman of the Compensation Committee.

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 of the Company 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

There should be an annual report to the Board by the Chief Executive Officer on the Company's program for management development. This report should be given 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.

IX. INTERPRETATION

In cases where the Chairman of the Board and the Chief Executive Officer are the same individual, or where the Chairman of the Board and the Lead Independent Director are the same individual, procedures calling for consultation or communications between those positions need not be followed.

X. RELATED PARTY, OTHER MATERIAL TRANSACTIONS AND LOANS

A. Related Party Transactions

No officer, director, or employee of the Company or any of its affiliate or subsidiary companies (collectively, the "Companies") shall enter into any agreement, arrangement or contract with any person or entity pursuant to which any of the Companies may be obligated to:

- (i) pay any money to a "Related Party," or
- (ii) assign or lease any property belonging to any of the Companies to a Related Party, or
- (iii) allow any Related Party to use any property belonging to any of the Companies

if the aggregate fair market value of any monies paid to the Related Party and the property assigned or leased to or used by the Related Party exceeds Five Thousand Dollars (\$5,000), without the express, prior, written approval of the Board. As used in these Guidelines, "Related Party" includes:

- (i) any person who is an officer, director or employee of any of the Companies (each, an "Insider"); and

- (ii) any person who is a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a director, executive officer for nominee for director, and any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director (each, a “Related Party Immediate Family Member”); and
- (iii) any entity for which an Insider or Related Party Immediate Family Member is an attorney, broker, commissioned sales agent, director, manager, officer, partner or profits participant; and
- (iv) any entity in which an Insider or Related Party Immediate Family Member has beneficial ownership of five percent (5%) or more of the voting securities of the entity.

Notwithstanding anything to the contrary in this Section, if required by the SEC, NYSE, or other regulatory authority, any transaction between the Company and a Related Party, regardless of the amount involved, shall be approved by the Audit Committee.

B. Other Material Transactions

No officer, director, or employee of the Companies shall enter into any agreement, arrangement or contract with any person or entity or authorize any transaction which the Company may be required to disclose to the SEC unless the agreement, arrangement, contract or transaction previously has been approved by the Board.

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.

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 Loan Policy, as it may be amended from time to time by the Board.

XI. 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.

APPENDIX A

DIRECTOR COMPENSATION (As of February 1, 2008)

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

1. **Annual Retainer.** Directors shall receive a \$40,000 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 as well as consultation and participation in teleconference meetings held for periodic Board updates.

2. **Lead Independent Director Retainer.** In addition to the Annual Retainer to which all Directors are entitled, the Lead Independent Director shall also receive a \$70,000 Lead Independent Director Retainer, which shall be earned and paid pro rata over his or her term at the beginning of each month. The Lead Independent Director Retainer is intended to compensate the Lead Independent Director for the additional duties set forth in these Guidelines.

3. **Special Board Meeting Fee.** Directors shall receive a Special Board Meeting Fee of \$1,500 per meeting 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. No additional meeting fee is to be paid for attendance at regular quarterly board meetings.

4. **Committee Meeting Fees.** Directors shall receive (a) a Regular Committee Meeting Fee of \$1,000 per meeting for their preparation and attendance at regular quarterly meetings of the Committees on which they serve, and (b) a Special Committee Meeting Fee of \$1,000 per meeting 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.

5. **Committee Chairman Fees.** The Chairman of the Audit Committee shall receive a Committee Chairman Fee of \$15,000 per year and the Chairmen of the Compensation and Corporate Governance and Nominating Committees shall receive a Committee Chairman Fee of \$10,000 per year. The Committee Chairman Fee shall be earned and paid pro rata over the Chairman’s term at the beginning of each month.

6. **Stock Options and Restricted Stock Grants**

Initial Grant. Upon a Director’s initial election to the Board, the Director will be granted, at the Director’s election, either (a) stock options to purchase the Company’s common stock, or (b) restricted shares of the Company’s common stock, in either case valued at \$50,000 based on a Net Present Value (the “Initial Grant”). The exercise price and the share price used in

granting stock options and the share price used in granting restricted shares shall be equal to the closing price of the Company's common stock on the date the Director is elected to the Board. The Initial Grant will vest 25% per year over four years from the date of grant and if stock options are granted, they will expire if not exercised within seven years from 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 a Net Present Value (the "Reelection Grant"). The share price used in granting the restricted shares shall be equal to the closing price of the Company's common stock on the date the Director is reelected to the Board. The Reelection Grant will vest, on a cliff basis, three years from 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, or (iii) permanent disability (as determined by the Board), 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, Board 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 (the "Plan"), a Director may elect to receive the Annual Retainer, the Lead Independent Director Retainer, the Committee Chairman Fee 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 with an original investment of at least four times the Annual retainer by the later of (i) three years of the date of the Director's initial election to the Board, or (ii) August 29, 2009.