CORPORATE GOVERNANCE GUIDELINES

OF

MATRIX SERVICE COMPANY

As of May 5, 2020

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DESCRIPTION AND PURPOSE

The following Corporate Governance Guidelines (the "Guidelines") have been adopted by the Board of Directors (the "Board") of Matrix Service Company (the "Company") to assist the Board in the exercise of its corporate governance responsibilities.

I. OVERVIEW OF DIRECTORS' ROLES

The role of the directors is to oversee and monitor the Company's management and its business affairs in the interest and for the benefit of the Company's stockholders. The role of the directors is essentially advisory in nature, with specific day-to-day management functions and decision making delegated to the full-time officers and executive employees of the Company.

A. <u>Essential Activities</u>

Activities of the Board and Board committees considered essential include:

- Approving major policies and objectives;
- Authorizing, where appropriate, major transactions recommended by management;
- Giving advice and counsel to the management of the Company, especially the Chief Executive Officer;
- Overseeing compliance with the law and pertinent regulations;
- Monitoring effective auditing procedures;
- Monitoring performance, setting objectives, and measuring management's results against them, evaluating the accomplishments of management and their activities, and being responsible for the selection and removal of the Company's Chief Executive Officer;
- Approving the annual budget and reviewing financial results at regular intervals;
- Establishing and delegating authorities;
- Keeping informed as to the business in which the Company is engaged and remaining knowledgeable as to the Company's business activities;
- Providing oversight of management's risk assessment and risk management activities which are designed to identify, prioritize, assess, monitor and mitigate

material risks to the Company, including financial, operational, compliance and strategic risks;

- Receiving periodic briefings on environmental, social and governance matters and the Company's approach to assessing, monitoring, managing and disclosing material environmental, social and governance risks and opportunities; and

- Reviewing and approving plans for succession of the Chief Executive Officer and monitoring plans of management for succession of other key executives.

In discharging these obligations, directors shall be entitled to rely reasonably on the honesty and integrity of their fellow directors, the Company's executives, and the Company's outside advisors and auditors. The directors shall be entitled to (i) have the Company purchase reasonable directors' and officers' liability insurance on their behalf; (ii) the benefits of indemnification to the fullest extent permitted by law under the Company's Certificate of Incorporation, By-laws and any indemnification agreements; and (iii) such other benefits as may be as provided by applicable law and the Company's Certificate of Incorporation.

The Board may discharge its responsibilities either directly or by delegating them to committees of the Board, except that the Board may not delegate any of its responsibilities which, under applicable law or the Company's Certificate of Incorporation, may not be delegated to a Board committee. The Board and each Board committee shall have the full power and authority to hire, at the expense of the Company, independent financial, accounting, legal or other advisors, as necessary to fulfill their duties, without consulting or obtaining the approval of any officer of the Company, and the Company shall pay, or shall provide the committee with, all funds necessary to engage and compensate such advisors.

The Board should promote policies within the Company that encourage a corporate culture of openness, honesty, fairness and accountability. These policies also should apply to the Board and to relationships among and between the Board, stockholders and employees. The Board should periodically review and amend these policies if needed.

B. **<u>Primary Responsibilities</u>**

All Directors

- Serve as fiduciaries for all stockholders;

- Direct the business and affairs of the Company within the law recognizing that the actual management of the business and affairs of the Company are conducted by the Chief Executive Officer and other senior managers either directly or through employees of the Company under their supervision;

- Oversee Company performance;

- Select the Chief Executive Officer and ratify the selection of officers of the Company;

- Review and confirm basic Company objectives;

- Approve, where appropriate, major policy and management decisions;

- Determine the "independence" of members of the Board, as such term is defined by Nasdaq listing standards and other applicable laws and regulations from time to time in effect;

- Review and approve the Code of Business Conduct and Ethics (the "Code") for the directors, officers and employees of the Company in compliance with Nasdaq listing standards and other applicable laws and regulations from time to time in effect; and

- Act at all times in accordance with the requirements of the Code. Waivers of the Code for any executive officer or director may only be made by the Board of the Company. Any waiver for an officer or director must be posted on the Company website or otherwise communicated to stockholders.

Independent Directors

- Spend time learning the business of the Company, developing informal contacts with management and other directors to build mutual trust;

- Advise management;

- Serve on committees of the Board where all or a majority of the members of such committee are required to be independent; and

- Inform the Chairman of the Nominating and Corporate Governance Committee of any material changes in his or her circumstances or relationships that may impact his or her designation by the Board as "independent."

C. **<u>Secondary Responsibilities</u>**

- Adopt or change the Bylaws of the Company, where appropriate; and

- Approve changes in major policies of the Company, where appropriate.

- Review disinterestedly the work of management, refraining from involvement in day-to-day management;

- Bring perspective and a fresh point of view to the Board's deliberations; and

- Provide general guidance based upon experience in special areas of expertise.

D. **<u>Additional Responsibilities</u>**

Planning

- Approve, where appropriate, the short-term and long-term objectives, strategies, and plans recommended by management and advise management regarding the planning process. Periodically evaluate progress against such plans.

Financial Structure

- Approve, where appropriate, the overall capital structure of the Company as recommended by management;

- Approve, where appropriate, the overall financing programs and policies as recommended by management; and

- Approve, where appropriate, any dividend distributions.

Controls

- Identify the Board's needs for information and arrange for its timely supply;

- Review and, where appropriate, approve the capital expenditure budget for each fiscal year and any capital expenditures in such fiscal year which will result in capital expenditures for such fiscal year exceeding 110% of the approved budget;

- Review and, where appropriate, approve acquisitions and divestitures; and

- Review the adequacy of financial control systems through an Audit Committee composed entirely of Independent Directors.

Board Continuity

- Seek continuity and strengthening of the Board through identifying and attracting additional and/or replacement directors.

Expectation of Individual Performance

- Attend Board meetings;

- Study Board Books and other materials and information provided to the Board and be prepared to discuss their contents; and

- Be available to advise management between meetings when necessary.

II. DIRECTOR SELECTION

A. <u>Director Qualifications</u>

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. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a publicly traded company in today's business environment; understanding of the Company's business and industry; educational and professional background; personal accomplishment; and geographic, gender, age, and ethnic diversity. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the Company's business and represent stockholder interests through the exercise of sound business judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings, and participation in and contributions to the activities of the Board.

The Nominating and Corporate Governance Committee shall be responsible for assessing the appropriate balance of skills and qualifications required of directors. No particular skill or qualification is a prerequisite to being nominated as a director. The Company is committed to a policy of inclusiveness and as such when searching for new directors, the Nominating and Corporate Governance Committee should actively seek out highly qualified women and minority candidates with diverse backgrounds, skills and experiences to include in the pool from which Board nominees are chosen. Although diversity, including geographic, gender, age and ethnic diversity, may be considered, the backgrounds and qualifications of the directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

B. Officer and Director Questionnaire

Each candidate for director shall complete and sign a questionnaire for directors and officers (the "Questionnaire") in a form deemed appropriate by the Company and its advisors prior to his or her nomination to the Board. Each director and executive officer shall no less than annually complete and sign a Questionnaire in a form deemed appropriate by the Company and its advisors. In the event any information contained on a director's or executive officer's most recent Questionnaire becomes incomplete or inaccurate, it shall be the responsibility of the director or executive officer to provide complete and accurate information to the Nominating and Corporate Governance Committee within thirty days.

C. Selection of Directors

The Nominating and Corporate Governance Committee shall periodically assess the Board's size and composition and the prospects for future vacancies and develop a Board succession plan. 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 stockholders. The Nominating and Corporate Governance Committee shall be responsible for identifying, recruiting, and recommending potential candidates to the Board for directorship. When formulating its director recommendations, the Nominating and Corporate Governance 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 stockholders of the Company.

D. Majority Voting Standard in Director Elections

The Company's Bylaws provide that, with the exception of a contested director election, a nominee for director shall be elected to the Board if the votes cast for the nominee's election exceed the votes cast against the nominee. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Nominating and Corporate Governance Committee will nominate for election or re-election as director only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which they face re-election and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by the other directors in accordance with these guidelines.

If an incumbent director fails to receive the required vote for re-election, the Nominating and Corporate Governance Committee (excluding, if applicable, the director who tendered the resignation) will evaluate any such resignation to determine whether to accept or reject the director's resignation and will submit such recommendation for consideration by the Board. The Nominating and Corporate Governance Committee and the Board may consider any factors or other information they deem relevant in deciding whether to accept a director's resignation, including but not limited to, (i) the stated reasons, if any, why stockholders withheld their votes, (ii) possible alternatives for curing the underlying cause of the withheld votes, (iii) the director's tenure, (iv) the director's qualifications, (v) the director's past and expected future contribution to the Company, (vi) the overall composition of the Board and (vii) the Company's obligations under applicable laws, regulations and stock exchange rules and its material contracts. In determining what action to recommend or take regarding the director's resignation, each of the Nominating and Corporate Governance Committee and the Board may consider a range of alternatives as they deem appropriate, including but not limited to (i) accepting the resignation, (ii) rejecting the resignation, (iii) rejecting the resignation to allow the director to remain on the Board but agreeing that the director will not be nominated for re-election to the Board at the next election of directors or (iv) deferring acceptance of the resignation until the Board can find a replacement director with the necessary qualifications to fill the vacancy that accepting the resignation would create.

The Board will act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, within 90 days from the date of the certification of the election results. After the Board makes a formal decision on the Committee's recommendation, the Board will publicly disclose (by press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) (i) its decision whether or not to accept the tendered resignation and (ii) if the Board has determined to take any action other than acceptance of the resignation, the Board's rationale supporting its decision.

E. Director Orientation

Each new director will attend a meeting with the Chief Executive Officer and Chief Financial Officer to be briefed on the Company's strategic plans and its significant financial, accounting and risk management issues.

All directors are encouraged to obtain continuing director education in subjects relevant to the duties of a director, through personal study or relevant seminars with expenses paid by the Company.

F. Stock Ownership by Directors and Officers

In General. The Board believes that directors and officers should be stockholders and have a financial stake in the Company. Share ownership directly aligns the interests of our directors and senior management with our stockholders.

Stock Ownership Guidelines for Directors. Each non-employee director is required to have stock ownership of the Company's stock equivalent to five times the cash retainer. Existing directors will have five years from the date of their election to the Board to attain such level of ownership. Compliance will be evaluated on an annual basis, as of June 30 of each year, and not on a running basis. If a director achieves compliance with these stock ownership guidelines as of June 30 of any year, the director will not be deemed to have failed to comply with these guidelines as of June 30 of any future year as a result of a decline in the Company's stock price if such director has not sold any shares.

Stock Ownership Guidelines for Officers. Stock ownership guidelines for the Company's officers are determined as a multiple of the executive's base salary, as follows:

Level	Multiple of Base Salary
Chief Executive Officer	5x
Chief Financial Officer, Chief Operating Officer and the Presidents of the Company's three principal operating subsidiaries, Matrix Service Inc., Matrix North American Construction, Inc. and Matrix PDM Engineering, Inc.	3x
All Other Officers	1x

Officers appointed after the initial date of the adoption of these stock ownership guidelines will have five years from the date of their appointment to attain such level of ownership. Officers who are subsequently promoted to an office level with a higher multiple of base salary will have five years from the date of promotion to acquire any additional shares needed to meet these stock ownership guidelines. Compliance will be evaluated on an annual basis, as of June 30 of each year, and not on a running basis. If an officer achieves compliance with these stock ownership guidelines as of June 30 of any year, the officer will not be deemed to have failed to comply with these guidelines as of June 30 of any future year as a result of a decline in the Company's stock price if such officer has not sold any shares.

Stock Ownership. The following may be used in determining stock ownership for purposes of these guidelines:

- shares owned separately by the officer or director or owned either jointly with, or separately by, his or her immediate family members residing in the same household;

- shares held in trust for the benefit of the officer or director or his immediate family members;

- shares purchased on the open market;

- shares purchased through the Company's Employee Stock Purchase Plan;

- vested and unvested time-based restricted stock or restricted stock units;

- vested and unvested performance share units, performance-based restricted stock or performance-based restricted stock units, but only to the extent that the Company recognizes compensation expense with respect to such performance share units, performance-based restricted stock or performance-based restricted stock units; and

- the in-the-money value of vested and unexercised stock options.

G. Director Participation on Other Boards

No director may serve on more than four (4) other public company boards. 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. Directors should also advise the Independent Chairman of the Board or Chairman of the Nominating and Corporate Governance Committee prior to accepting an invitation to serve on another board to facilitate the review as to whether the new directorship would cause any conflicts under applicable law, the Company's Code of Conduct, Conflicts of Interest policy and other applicable governance principles.

III. BOARD LEADERSHIP

A. Selection of Chairman and Evaluation of 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. At this time the Chairman of the Board is a separate position from the Chief Executive Officer.

B. <u>Chairman of the Compensation Committee</u>

The Chairman of the Compensation Committee, together with all directors other than the Chief Executive Officer, shall conduct the Board's annual evaluation of the Chief Executive Officer.

IV. BOARD COMPOSITION AND PERFORMANCE

A. <u>Size of the Board</u>

The Company's Bylaws provide that the Board shall have no fewer than three (3) and no more than fifteen (15) directors. The Board believes that this range permits diversity of experience without hindering effective discussion or diminishing individual accountability.

B. <u>Percentage of Independent Directors on the Board</u>

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.

C. <u>Board Definition of Independent Director</u>

As used in these Guidelines and in the committee charters, the term "Independent Director" means a person other than an executive officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The following persons shall not be considered independent:

a. a director who is, or at any time during the past three years was, employed by the Company;

b. a director who accepted or has a Family Member (defined below) who accepted any compensation from the Company in excess of $120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

   (i) compensation for Board or Board committee service;

   (ii) compensation paid to a Family Member who is an employee (other than an executive officer) of the Company; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

c. a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an executive officer. Family Member means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home;

d. a director who is, or has a Family Member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs;

e. a director of the Company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serve on the compensation committee of such other entity; and

f. a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

The three-year look-back periods referenced in subsections a, c, e and f immediately above commence on the date the relationship ceases. Any reference to the Company includes any parent or subsidiary of the Company. The term "parent or subsidiary" is intended to cover entities the Company controls and consolidates with the Company's financial statements as filed with the SEC (but not if the Company reflects such entity solely as an investment in the Company's financial statements). The reference to executive officer means those officers covered in SEC Rule 16a-1(f) under the Exchange Act.

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 those of the SEC and Nasdaq or other exchange.

D. 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. The Board believes that both the Company and its stockholders will benefit from Board continuity and stability and by allowing directors to focus on long-term business strategies and results.

E. Retirement Age

The Board also recognizes that it is important for the Board to balance the benefits of continuity with the benefits of fresh viewpoints and experience. Therefore, no director may stand for re-election in the calendar year following the year in which that director turned 72 years of age.

F. Board Compensation

Directors who are employees of the Company shall not receive any additional compensation for serving on the Board. Directors who are not employees of the Company shall receive directors' fees as their only compensation for Board meetings, Board committee service and/or Chairmanship of the Board. Directors' fees shall be in the form of cash and equity, which may include company stock, options, restricted stock or restricted stock units, or a combination thereof, as well as any additional benefits regularly given to all directors. The exact amount and form of director compensation shall be reviewed bi-annually by the Compensation Committee in accordance with the policies and principles set forth in its charter or more frequently, if the Compensation Committee so determines, and approved by the Board.

G. 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 (sessions attended solely by Independent Directors) will be chaired by the Chairman of the Board if the Chairman is also an Independent Director, or by the Chairman of the Nominating and Corporate Governance Committee.

H. 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 stockholders absent exceptional cause.

V. 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.

VI. BOARD MEETING PROCEDURES

A. Agenda and Master Planning Guide for Board Meetings

The Chairman of the Board, in consultation with 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. If the Chairman of the Board is also the Chief Executive Officer, the Chairman of the Board shall establish the agenda for each Board meeting in consultation with the Chairman of the Nominating and Corporate Governance Committee. They shall also establish a master calendar (the "Master Planning Guide"). The Master Planning Guide 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 Planning Guide shall be provided to each director. Each director shall be free to suggest inclusion of items on the Master Planning Guide 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.

B. 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 or electronically 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.

C. 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 include in meeting materials provided in advance of the meeting, the presentation will be discussed at the meeting.

VII. COMMITTEE MATTERS

A. <u>Number, Structure and Independence of Committees</u>

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

VIII. LEADERSHIP DEVELOPMENT

A. <u>Formal Evaluation of the Chief Executive Officer</u>

The Compensation Committee shall conduct an annual review of the Chief Executive Officer's performance and compensation. Thereafter, with the Chief Executive Officer absent, the Board or Compensation Committee shall meet in Executive Session to review the Chief Executive Officer's performance in order to ensure that he or she is providing the best long and short-term leadership for the Company. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee and the Chairman of the Board of Directors.

B. <u>Succession Planning</u>

The Board shall evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer and/or Vice President and Chief Administrative Officer shall provide the Board 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 and/or Vice President and Chief Administrative Officer shall prepare and distribute to the Board an annual report on succession planning and management development for all other executive officers of the Company, which report should enable the Board to determine that a satisfactory system is in effect for education, development, and orderly succession of management throughout the Company.

C. <u>Clawback Policy</u>

To the extent permitted by law, if the Board, with the recommendation of the Compensation Committee, determines that any bonus, equity award, equity equivalent award or other incentive compensation has been awarded or received by an executive officer of the Company, and that:

a. such compensation was based on the achievement of certain financial results that were subsequently the subject of a material restatement of the Company's financial statements filed with the SEC,

b. the executive officer engaged in grossly negligent or intentional misconduct that caused or substantially caused the need for the material restatement, and

c. the amount or vesting of the bonus, equity award, equity equivalent or other incentive compensation would have been less had the financial statements been correct,

then the Board shall recover from the executive officer such compensation (in whole or in part) as it deems appropriate under the circumstances.

IX. TRANSACTIONS WITH RELATED PERSONS

The Company shall conduct an appropriate review of all transactions with related persons for potential conflict of interest situations on an ongoing basis and all such transactions shall be approved or ratified by the Audit Committee or another independent body of the Board. For purposes of this section the term "transactions with related persons" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

In the course of its review and approval or ratification of a transaction, the Audit Committee will consider:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction;
- the significance of the transaction to the related person;
- the significance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in the Company's best interest; and
- any other matters the Audit Committee deems appropriate.

X. COMMUNICATIONS BETWEEN STOCKHOLDERS AND THE BOARD

Stockholders may send written communications to the Board and, if applicable, to specified individual directors, by mail, email, 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.

XI. STANDARD OF CONDUCT FOR DIRECTORS

The responsibility of members of the Company's Board of Directors is to promote the best interests of the Company and its stockholders by overseeing the management of the Company's business and affairs. In doing so, Board members have two basic legal obligations to the Company and its stockholders: (a) the duty of loyalty, which generally requires that Board members make decisions based on the best interests of the Company and its stockholders and without regard to any personal interest, and (b) the duty of care, which generally requires that Board members exercise appropriate diligence in making decisions and in overseeing management of the Company.

A. <u>Duty of Loyalty</u>

The duty of loyalty dictates that a director must act in good faith and in a manner reasonably believed to be in the best interests of the Company and its stockholders. A director must not allow personal interests to prevail over the interests of the Company and its stockholders, particularly in transactions involving potential conflict of interest between the Company and the director.

Conflicts of Interest. A director should avoid conflicts of interest, never using his or her corporate position to make a personal profit or to gain other personal advantage. The existence of any material personal interest of a director in a contract or transaction to which the Company is to be a party, either directly or indirectly because of employment or investment relationship with an entity with which the Company is dealing, must be disclosed by the interested director. The nature of any such material personal interest must be fully described to the other directors prior to the time action is taken by the Board with respect to the matter, with such interested director abstaining from taking any action thereon or from participating in any deliberation thereon.

Corporate Opportunity. A Director may not take for his or her own direct or indirect benefit opportunities discovered in the course of serving as a Director of the Company if such Director has reason to know that such opportunity would benefit the Company.

Confidentiality. Directors are to treat all available information of the Company with strict confidentiality until such time as a matter has been publicly disclosed.

B. <u>Duty of Care</u>

The duty of care requires Directors to be diligent and prudent in managing the affairs and business interests of the Company. Directors are expected to regularly attend and prepare for meetings of the Board and its committees, review circulated materials, and actively participate in Board and committee discussions.