

**IDACORP, INC. BOARD OF DIRECTORS  
CORPORATE GOVERNANCE GUIDELINES  
ADOPTED AS OF JULY 17, 2003  
AND AMENDED AS OF JANUARY 21, 2010**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the "Board") of IDACORP, Inc. (the "Company") to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines are not intended to change or interpret any federal or state law or regulation, including the Idaho Business Corporation Act, or the Articles of Incorporation, as amended, or By-laws of the Company and any amendments thereto. These Guidelines and all amendments and modifications thereto shall be posted on the Company's website.

**I. THE BOARD'S RESPONSIBILITIES**

A. Basic Responsibility

The Company's business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served.

B. Time Commitment

Directors are expected to attend Board meetings and meetings of Board Committees on which they serve, and to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. A director must be committed to devoting the time and effort necessary to learn the business of the Company and the Board.

C. Continuing Education

The Company supports continuing Board education and development programs. Each director shall attend one continuing education program endorsed by RiskMetrics Group and approved by the Corporate Governance Committee per each three (3) year term on the Board in order to maintain the appropriate level of expertise and knowledge of his or her responsibilities as a director. The Company shall reimburse all expenses reasonably incurred by a director in attending such program.

D. Code of Conduct and Directors' Code of Conduct

The Board believes that in order to oversee the successful conduct of the Company's business, the Board shall develop (i) a Code of Business Conduct and Ethics for Officers and Employees ("Code of Conduct") and (ii) a Code of Business Conduct and Ethics for Directors ("Directors' Code of Conduct" and together with the Code of Conduct, the "Codes," which may be combined). The Codes shall to the extent required meet the requirements of Item 406 of Regulation S-K and the listing standards of the New York Stock Exchange ("NYSE"). The Codes should encourage the reporting of unethical or

illegal behavior and ensure prompt and consistent action against violations of the Codes. The Codes and any changes thereto shall be disclosed as required by law or stock exchange rules. Any waivers of the Codes for directors or executive officers may be made only by the Board or a Board Committee, if so delegated, and must be promptly disclosed as required by law or stock exchange rules. The Board delegates to the Audit Committee the process of monitoring the Codes including considering whether to grant any waivers for directors and executive officers.

## II. SELECTION AND COMPOSITION

### A. Board Size

The By-laws permit a Board size ranging from nine (9) to fifteen (15) members. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability and meets the various committee requirements.

### B. Independence of the Board

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of the NYSE and meet the applicable requirements of the Sarbanes-Oxley Act of 2002 ("SOX Act") and any applicable Securities and Exchange Commission ("SEC") rules and regulations. References in this Section II.B. to the "Company" include any parent or subsidiary in a consolidated group with the Company.

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE and under applicable law, including the SOX Act.

For purposes of subsections (1) through (5) below, "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. When applying the three-year look back provisions in subsections (1) through (5) below, the Board need not consider individuals who are no longer immediate family members as a result of legal separation or divorce or those who have died or become incapacitated.

To be considered independent, the Board must affirmatively determine that a director does not have any direct or indirect material 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<sup>1</sup> of the Company; provided, however, that a director's employment as an interim Chairman or Chief Executive Officer or other executive officer shall not disqualify the director from being considered independent following such employment.

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 \$120,000 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 not contingent in any way on continued service); provided, however, that compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other executive officer and compensation received by an immediate family member for service as an employee of the Company (other than as an executive officer) need not be considered by the Board in making this determination.

3. (A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years 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 serves or served on that company's compensation committee.

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 (except where the payments are for electrical energy purchased or sold under a purchase or sale arrangement that is approved by a state or federal regulatory agency) 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.

6. In addition, for service on the Audit Committee, the director (A) has accepted directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary, other than (i) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service (provided that such compensation is not contingent on continued service) or (ii) fees for service on the Board,

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<sup>1</sup> The term "executive officer" has the same meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934 and means the Company's president, principal financial officer, principal accounting officer (or, if 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. Officers of the Company's subsidiaries shall be deemed executive officers of the Company if they perform such policy-making functions for the Company.

the Audit Committee or any other Board committee or (B) is an affiliated person of the Company or any subsidiary.

For purposes of this subsection (6), the term "indirect" acceptance of any fee includes acceptance of fees by a spouse, minor child or stepchild, or child or stepchild sharing a home with the director or by an entity in which such director is a partner, member or officer, or similar position (except limited partners, non-managing members or similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any subsidiary.

In addition, the Board has established the following guidelines to assist it in determining director independence:

- i. For purposes of subsection (5) above, 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 Board need not consider former employment of the director or immediate family member.
- ii. For purposes of subsection (5) above, contributions to tax exempt organizations shall not be considered "payments," provided, however, that, as required by the NYSE Rules, the Company will disclose either on or through its website or in its annual proxy statement any such contributions made by the Company to any tax exempt organization in which any independent director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year from the Company to the organization exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues.
- iii. The following relationships with tax exempt organizations will not be considered to be material relationships that would impair a director's independence: if a Company director serves as an officer, director or trustee of a tax exempt organization, and the Company's annual tax exempt contributions to the organization are less than 1% of that organization's total annual tax exempt receipts. The Board will annually review all tax exempt organization relationships of directors.
- iv. A transaction shall not be deemed material if it, together with all related transactions with the same director, does not involve more than \$10,000 or involves only the reimbursement of expenses reasonably incurred by the director in connection with his or her services as a director of the Company.
- v. For relationships not covered by the guidelines above, the determination of whether or not the relationship is material, and therefore whether or not

the director is independent, shall be made by the Board. The Board shall explain in the annual proxy statement the basis for any Board determination that a relationship was not material, identify the independent directors and explain the basis for the determination of independence.

- vi. To facilitate implementation of the foregoing, each director shall provide to the Chairman of the Board a brief description of each relationship or transaction between such director and the Company. Relationships include, but are not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

#### C. Review of Related Person Transactions

The Corporate Governance Committee shall review transactions involving directors, director nominees and members of their immediate families in which the Company or any of its subsidiaries is or will be a participant for the purpose of determining whether such transactions are in the Company's best interests. The review shall be done in accordance with the Company's Related Person Transactions Policy.

#### D. Lead Independent Director

If the Chairman of the Board is not an Independent Director (as determined in accordance with Section II.B. above), the Company's Independent Directors will designate one of the Independent Directors on the Board to serve as the lead independent director (the "Lead Independent Director"). If the Chairman of the Board is an Independent Director, then he or she shall serve as Lead Independent Director. The Lead Independent Director's duties will include coordinating the activities of the Independent Directors; coordinating the agenda for and moderating sessions of the Board's Independent (and other non-management) Directors; providing the Chairman with input on the schedule of Board meetings; receiving information from management for Board and Committee meetings; assisting in assuring compliance with the Corporate Governance Guidelines and recommending revisions to the Guidelines; and facilitating communications between the other directors.

#### E. Board Membership Criteria

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. The Company endeavors to have a Board representing diverse experience at policy-making levels in business, finance and accounting and in areas that are relevant to the Company's activities.

A substantial majority of Board members should be "independent" under the NYSE listing standards.

At least one director serving on the Audit Committee shall meet the requirements of the definition of an "audit committee financial expert" as that term is defined in Item 407 of Regulation S-K.

F. Selection of New Directors

The Board shall be responsible for nominating persons for election to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Board delegates the process of screening director candidates to the Corporate Governance Committee, which may solicit advice from the Chairman of the Board, the Lead Independent Director, the Chief Executive Officer, other directors, management and any other persons that it deems appropriate.

The Corporate Governance Committee is responsible for selecting and recommending to the Board candidates for election as directors in accordance with the policies and principles set forth herein, in the Company's committee charters and in the Company's By-laws. Shareholders also have the opportunity to recommend directors in accordance with the policies set forth herein.

G. Process for Shareholders to Recommend Candidates for Director

The Corporate Governance Committee will consider all bona fide recommendations of candidates for director from shareholders.

Shareholders who wish to recommend a candidate to be considered by the Corporate Governance Committee for nomination as a director must submit the recommendation in writing to the Secretary.

The written recommendation must include the following information:

- the candidate's name, age, business address, residence address, telephone number, principal occupation, the class and number of shares of Company voting stock that the candidate owns beneficially and of record, a statement as to how long the candidate has held such stock, a description of the candidate's specific experience, qualifications, attributes or skills to be a director, whether the candidate would be an independent director and any other information the shareholder deems relevant with respect to the recommendation and
- the shareholder's name and address, as they appear on the books of the Company, and the class and number of shares of Company voting stock that the shareholder owns beneficially and of record, including a statement as to how long the shareholder has held such stock.

Recommendations should be sent to:

IDACORP, Inc.  
Attn.: Secretary  
Re: Corporate Governance Committee Director Nominations  
1221 West Idaho Street  
P.O. Box 70  
Boise, Idaho 83707-0070.

The Secretary will review all written recommendations and send those conforming to the requirements described above to the Corporate Governance Committee.

Shareholders who wish to nominate persons for election to the Board, rather than recommend candidates for consideration, must follow the procedures set forth in Section 2.9 of the Company's By-laws. Copies of the By-laws may be obtained by writing or calling the Secretary of the Company at IDACORP, Inc., 1221 West Idaho Street, P.O. Box 70, Boise, Idaho 83707-0070, Telephone Number: (208) 388-2200.

#### H. Process for Determining Director Nominees

The Corporate Governance Committee follows the procedures set forth below when identifying new director nominees, including any recommendations submitted by shareholders in compliance with the process set forth in Section II.G. above:

- the Corporate Governance Committee identifies the need to fill a vacancy on the Board or, if approved by the Board, to add new Board member(s);
- the Chairman of the Corporate Governance Committee initiates the search,
  - soliciting advice from the Chairman of the Board, the Lead Independent Director, the Chief Executive Officer, other directors, management and any other persons he or she deems appropriate,
  - reviewing any candidates submitted by shareholders in compliance with the process set forth in Section II.G. above and
  - hiring a search firm, if he or she chooses;
- an initial group of candidates is identified and presented to the Corporate Governance Committee;
- the Corporate Governance Committee gathers any additional information it deems appropriate, including information necessary to determine if the candidate(s)
  - are "independent" under applicable laws, regulations and rules,

- have the experience, qualifications and skills to serve as a director in light of the Company’s business and structure,
  - do not violate any requirements applicable to the Company of any federal or state laws, rules or regulations, including rules and regulations of federal and state regulatory agencies, the NYSE, the SEC and the SOX Act, and
  - meet all requirements under these Corporate Governance Guidelines, committee charters, the By-laws, the Codes and any other applicable corporate document or policy;
- the Corporate Governance Committee evaluates any potential conflicts, including financial or business relationships;
  - the Corporate Governance Committee evaluates whether the candidates would likely represent a special interest or single issue;
  - the Corporate Governance Committee meets to narrow the list of candidates;
  - the Chairman of the Board, the Corporate Governance Committee and the Chief Executive Officer interview any or all candidates, if they deem it appropriate;
  - the Corporate Governance Committee meets to consider and approve the final candidate;
  - the Corporate Governance Committee seeks full Board approval of the selected candidate.

The Chairman keeps the full Board informed of the Committee's progress.

#### I. Change in Employment of Directors

The Board does not believe that directors who change their employer should necessarily leave the Board. As soon as practicable following such event, any director who changes his or her employer or any director who is also an employee of the Company resigns, retires or leaves the Company for any reason should notify the Corporate Governance Committee and submit a letter of resignation resigning from the Board and from each Board committee on which such director serves. The Corporate Governance Committee will evaluate the facts and circumstances and make a recommendation to the Board whether to accept the resignation or request that the director continue to serve on the Board.

J. Limitations on Other Public Company Board Service

Given the significant responsibilities of directors, each director must be ready, willing and able to devote sufficient time to carrying out his or her responsibilities effectively. No director may serve on more than six (6) public company boards including the Company's Board. Directors should advise the Chairman of the Board or if the Chairman is not an Independent Director, the Lead Independent Director, and the Chairman of the Corporate Governance Committee in advance of accepting an invitation to serve on another public company's board.

K. Mandatory Retirement Age

No person who will be 72 years of age or older on or before the date of an annual meeting shall be nominated to the Board, and any directors who reach the age of 72 shall be automatically retired from the Board immediately prior to the first annual meeting of shareholders that follows attainment of age 72.

L. 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 Committee will review each director's continuation on the Board every three years. This will 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 is dependent upon such director's performance evaluation, as well as a suitability review, each to be conducted by the Corporate Governance Committee in connection with each director nomination recommendation.

**III. BOARD LEADERSHIP**

Chairman of the Board and Chief Executive Officer

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new Chief Executive Officer. The Board may elect the Chairman of the Board, the President or another person as Chief Executive Officer.

**IV. BOARD PERFORMANCE**

Full Board, Board Committee Evaluations

The Board shall conduct an annual self-evaluation of the Board's performance to determine if it is functioning effectively. This evaluation shall be done under the oversight of the Corporate Governance Committee. The Corporate Governance, Audit

and Compensation Committees will also sponsor an annual self-evaluation of their performance. These evaluations should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The results of these evaluations will be discussed with the full Board and each Committee. The Corporate Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and in making recommendations to the Board with respect to assignments of directors to various Committees.

## V. **BOARD COMPENSATION**

### A. Management Directors

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

### B. Stock-Based Compensation

The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of Company stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation.

### C. Determination of Compensation

All director compensation shall be approved by the Board. The form and amount of director compensation will be reviewed biennially by the Compensation Committee in accordance with the principles set forth in the Compensation Committee Charter to recommend to the Board the appropriate levels of compensation and the general principles for determining the form and amount. The Compensation Committee will consider director compensation in light of the applicable definitions of "independence" and other NYSE, SOX Act and SEC requirements.

Director's fees (including any additional amounts paid to chairs of Committees and to members of Committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that members of the Audit Committee may, because of the additional requirements imposed on Audit Committee members, receive fees in excess of those received by members of other Board Committees or other permitted forms of compensation.

## VI. **BOARD MEETINGS**

### A. Agenda Items

The Board will hold regularly scheduled meetings at least five times a year. Agenda items are initially designated by the Chief Executive Officer in consultation with the Chairman of the Board if an Independent Director or if not, the Lead Independent Director. Committee agenda items are designated by Committee Chairmen in

consultation with the Chief Executive Officer or appropriate management representatives. Each director shall be free to suggest inclusion of items on the agenda and to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

**B. Distribution of Board Materials in Advance**

Materials for review, discussion and/or action of the Board should, to the extent practicable, be distributed sufficiently in advance of meetings, thereby allowing time for review prior to the meeting. Directors are expected to review distributed materials in advance of the meeting. The method of distribution may include, but is not limited to: (i) posting to an appropriate web site, which allows instant accessibility; (ii) other electronic means; (iii) regular mail; (iv) fax; (v) courier; or (vi) overnight mail. However, it is recognized that under certain circumstances, written materials may not be available in advance of the meeting.

**C. Meetings of Non-Management Directors**

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis. "Non-management" directors are those directors who are not executive officers, and include directors who are not independent. If any of the Company's non-management directors are not Independent Directors, an executive session will be held at least once each year with only those non-management directors who are Independent Directors. The Chairman, if an Independent Director, or if not, the Lead Independent Director, or in such director's absence, another Independent Director designated by the Chairman or the Lead Independent Director shall preside at all executive sessions.

**D. Director Attendance at Annual Meetings**

All directors should attend the annual meeting of shareholders and be available, when requested by the Chairman, to answer shareholder questions.

**VII. REPORTING CONCERNS**

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters. The Audit Committee shall also establish procedures for the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters. The Corporate Governance Committee shall establish procedures for all interested parties to communicate directly with the Lead Independent Director or non-management directors or independent directors as a group. The method of submitting such communications will be published on the Company's website or in its annual proxy statement.

The Codes prohibit any director or any employee from retaliating or taking any adverse action against anyone for raising or helping to raise an integrity concern.

## VIII. BOARD RELATIONSHIP TO SENIOR MANAGEMENT

### A. New Director Orientation

The Company shall provide new directors with a director orientation program to familiarize such directors with the Company's key policies and practices including, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, the Board's Committees and their respective charters, the Codes, Corporate Governance Guidelines, principal officers, internal auditors and independent auditors.

### B. Access to Management

Directors shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Directors shall coordinate access to management through the Chief Executive Officer, and directors will use their good judgment to assure that this access is not distracting to the business operations of the Company.

### C. Board Meeting Attendance

The Board encourages the Chief Executive Officer to bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

### D. Strategic Direction of the Company

Normally it is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of senior management and the Board. To facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

### E. Outside Advisors

The Board and each Committee have the power to hire independent legal, financial or other advisors as they may deem necessary.

## IX. **DIRECTOR AND EXECUTIVE STOCK OWNERSHIP**

### A. Minimum Stock Ownership Guidelines

The Board considers stock ownership in the Company by directors to be of great importance. Such ownership enhances a director's commitment to the future of the Company and further aligns their interests with those of the Company's shareholders. In keeping with this philosophy, the Board has adopted minimum stock ownership guidelines for non-employee directors. The target for each non-employee director is ownership of Company common stock with a market value of two times the current base annual retainer fee for directors; provided, that once a director reaches the stock ownership target under these guidelines (based on then current stock price and share holdings), the director will remain in compliance with the guidelines, despite future changes in stock price, as long as the director continues to own the minimum number of shares which brought the director into compliance with his or her stock ownership target. In the event of an increase in the base annual retainer fee for directors, directors who have already met their stock ownership target as described in the prior sentence will only need to meet the stock ownership requirement for the amount of increase in the base annual retainer fee. A director is allowed three years from the later of the date of initial adoption of these guidelines and initial election to the Board to meet these guidelines.

The Board considers stock ownership in the Company by executives to be of great importance. Such ownership enhances an executive's commitment to the future of the Company and further aligns their interests with those of the Company's shareholders. In keeping with this philosophy, the Board has adopted minimum stock ownership guidelines for Company executives. The target is ownership of Company common stock with a market value equal to a multiple of the executive's current base annual salary as follows: President and CEO – three times annual base salary, Executive and Senior Vice Presidents – two times annual base salary, Vice Presidents – one times annual base salary. An executive is allowed five years from the later of April 1, 2008 and the effective date of appointment to his or her position to meet these guidelines.

For purposes of these director and executive stock ownership guidelines, the term "ownership" includes: (a) shares of Company common stock held directly by the director or executive, (b) shares of Company common stock held directly (whether individually or jointly) by an immediate family member of the director or executive sharing the same household, (c) shares of Company common stock held by the executive in the Company's 401(k) plan, (d) shares of Company restricted stock (time vesting) held directly by the executive, and (e) deferred stock units held by the director pursuant to the Non-Employee Directors Stock Compensation Plan. Shares held in trust or in some other manner may be included if approved by the Corporate Governance Committee. The term "ownership" does not include options to purchase stock.

In circumstances where the stock ownership guidelines would result in a severe financial hardship, the director or executive may request from the Corporate Governance Committee an extension of time to meet the guidelines.

B. Stock Retention Guidelines

Until executives achieve the minimum stock ownership guidelines described above, they must retain at least 50% of the net shares of Company common stock that they receive from the vesting of restricted and performance share awards and stock option exercises. These retention guidelines apply to restricted and performance share awards and stock options granted on and after April 1, 2009. For restricted and performance shares, “net shares” means the number of shares acquired upon vesting, less the number of shares withheld or sold to pay withholding taxes. For stock options, “net shares” means the number of shares acquired upon exercise, less the number of shares sold to pay the exercise price and withholding taxes.

X. **LEADERSHIP DEVELOPMENT**

A. Selection of the Chief Executive Officer

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer.

B. Evaluation of Chief Executive Officer

The Chief Executive Officer shall receive an annual performance evaluation at the November meeting of the Board each year. The following steps will be utilized to carry out this review:

- The Chief Executive Officer will develop a self-evaluation and provide this to the Board each year, either orally or in writing, as requested by the Board.
- With this information, each non-management director will provide his or her assessment of the Chief Executive Officer's performance in writing to (or as directed by) the Compensation Committee. These assessments should include the director's appraisal of:
  - Company's performance and the Chief Executive Officer's contribution to it, both compared to competitors and the Company's own strategic goals;
  - Achievement of personal goals set by the Chief Executive Officer for the year, as part of his or her self-evaluation; and
  - Other aspects of the Chief Executive Officer's performance which the non-management director deems relevant.

The Compensation Committee will have this information compiled and report a summary of this information to the non-management directors in executive session at the November meeting of the Board each year. Based on the Chief Executive Officer's self evaluation, the assessments provided by the non-management directors and any other information the committee considers relevant, the Compensation Committee shall

evaluate the Chief Executive Officer's performance in light of the goals and objectives relevant to his or her compensation. The Compensation Committee of the Board will meet with the Chief Executive Officer to discuss the result of the performance evaluation. The Chief Executive Officer may then take the opportunity to discuss his or her reaction to the evaluation.

C. Succession Planning

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer shall prepare and distribute to the Board an annual report on succession planning for all senior officers of the Company with an assessment of senior officers and their potential to succeed the Chief Executive Officer. 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 any of the senior officers should unexpectedly become unable to perform their duties. The short-term succession plan shall be approved by the Board and shall be in effect until the Board has the opportunity to consider the situation and take action, when necessary.

D. Management Development

The Board shall determine that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

XI. **COMMITTEE MATTERS**

A. Number, Structure and Independence of Committees

The committees of the Board shall include an Executive Committee, Corporate Governance Committee, Audit Committee and Compensation Committee. The Corporate Governance Committee will take a leadership role in shaping the corporate governance of the Company and serve as the nominating committee. The Board may, subject to limitations in the Company By-laws, applicable law or NYSE requirements, appoint such additional standing or temporary committees from time to time as the directors see fit, delegating to such committees the necessary powers.

The Corporate Governance Committee, Audit Committee and Compensation Committee shall be comprised entirely of Independent Directors as required by applicable law or prescribed under the listing standards of the NYSE.

The Audit Committee, Compensation Committee and Corporate Governance Committee shall each have a written charter which shall be posted on the Company's website.

B. Assignment and Rotation of Committee Members and Chairs

The Corporate Governance Committee shall be responsible, after consultation with the Chairman of the Board, if an Independent Director, or if not, the Lead Independent

Director, for making recommendations to the Board with respect to the assignment of directors to various Committees, including designation of the Chairmen. After reviewing the Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairmen and members to the Committees on an annual basis.

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

C. Board Oversight of Risk

Except with respect to the Audit Committee's responsibilities with respect to risk management as required by the NYSE rules and as set forth in the Audit Committee Charter, the Board delegates the Executive Committee the oversight of the Company's risk management process.