

# **USFALCON, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

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### **I. ROLE OF THE BOARD OF DIRECTORS**

- A.** The Board of Directors is elected by the Class A (voting) stockholders to manage the business of the Company. The Board oversees the Company's senior management, to whom it has delegated the authority and responsibility for the day-to-day operations of the business.
- B.** Directors have a fiduciary and ethical duty to act in good faith and with a view to the interests of the Company. Directors are expected to attend all meetings of the Board and the Board committees upon which they serve, and all annual meetings of the Company's stockholders at which they are standing for election or re-election as directors. Directors should spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

### **II. BOARD COMPOSITION**

**A. Size of the Board.** The Company's Bylaws permit the Board to change its size to a number determined by the Stockholders.

**B. Majority of Independent Directors.** Once the Board grows to more than 3 total directors, it will be the policy of the Board that a majority of the directors will not be current employees of the Company and will otherwise meet appropriate standards of independence. In determining independence, the Board will consider the definition of "independent director" in the listing standards of The NASDAQ Stock Market, Inc. ("NASDAQ") (Marketplace Rule 4200) as well as other factors that will contribute to effective oversight and decision-making by the Board.

**C. Management Directors.** The Board anticipates that the Company's Chief Executive Officer ("CEO") will serve on the Board. The Board may also appoint or nominate other members of the Company's management whose experience and role at the Company are expected to help the Board fulfill its responsibilities.

**D. Chairman.** The Board will appoint a Chairman. Both independent and management directors, including the CEO, are eligible for appointment as the Chairman.

**E. Selection of Board Nominees.** The Board will be responsible for the selection of nominees for election or appointment to the Board. The Nominating and Corporate Governance Committee will recommend candidates for election to the Board. The Nominating and Corporate Governance Committee considers nominees recommended by directors, officers, employees, stockholders and others using the same criteria to evaluate all candidates. The Nominating and Corporate Governance Committee reviews each candidate's qualifications, including whether a candidate possesses any of the

specific qualities and skills desirable in certain members of the Board. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Nominating and Corporate Governance Committee would recommend the candidate for consideration by the full Board. The Nominating and Corporate Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

**F. Board Membership Criteria.** Nominees for the Board should be committed to enhancing long-term stockholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The Board's policy is to encourage selection of directors who will contribute to the Company's overall corporate goals: responsibility to its stockholders, technology leadership, effective business execution, high customer satisfaction and a superior employee working environment. The Nominating and Corporate Governance Committee may from time to time review the appropriate skills and characteristics required of Board members, including such factors as business experience, diversity, and personal skills in technology, finance, marketing, international business, financial reporting and other areas that are expected to contribute to an effective Board. In seeking and evaluating potential candidates for the Board, the Nominating and Corporate Governance Committee considers these factors in the light of the specific needs and composition of the Board at that time. Board members are expected to prepare for, regularly attend and participate in meetings of the Board and committees on which they serve, and are strongly encouraged to attend the Company's annual meetings of stockholders.

**G. Board Compensation.** The Nominating and Corporate Governance Committee, will review and recommend to the Board, with the assistance of management or outside consultants if desired, appropriate compensation policies for the directors serving on the Board and its committees. This review may consider Board compensation practices of other similar companies, contributions to Board functions, service as committee chairs, and other appropriate factors.

**H. Stock Ownership.** At this time, the Board has chosen not to adopt a policy requiring ownership by directors of a minimum number of shares.

**I. Conflicts of Interest.** Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Chairman of the Board. If any significant conflict of interest cannot be resolved, the director should consider resignation from the Board. If a director has a personal interest in a matter before the Board, the director will disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

**J. Board Orientation and Continuing Education of Board Members.** The Company provides new directors with a director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial,

accounting and management issues, compliance programs, conflicts policies, Code of Ethics, Guidelines, principal officers and independent auditors. The Company may, with the advice and assistance of the Nominating and Corporate Governance Committee, make available to directors continuing education programs or literature. Directors are encouraged to participate in programs that may be recommended by the Board or management.

**K. Removal, Replacement, or Retirement.** Removal or replacement of Directors will be in accordance with the Bylaws. The Board has not set a fixed retirement age for directors. The Board does not believe directors who retire or change their principal occupation or business association should necessarily leave the Board; however, there should be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

**L. Other Board Service.** The Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such activities., The Nominating and Corporate Governance Committee and the Board will, however, take into account the nature of and time involved in a director's service on other boards and/or committees in evaluating the suitability of individual director candidates and current directors and making its recommendations to the Company's stockholders. Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth above. It is the responsibility of each director to disclose other activities or interest that would pose a potential conflict of interest to the Secretary or the Chairman of the Board.

**M. Continuation of Service.** There are no fixed term limits for members of the Board since such a policy could deprive the Company of the benefit of Board members that, over time, have developed increased insight into the Company's business and operations.

### **III. BOARD MEETINGS**

**A. Scheduling of Full Board Meetings.** Regular Board meetings will be scheduled in advance, and generally held quarterly at the Company's principal executive office and other corporate offices. In addition, special meetings of the Board may be called from time to time in the manner set forth in the Bylaws as determined by the needs of the Company's business.

**B. Agenda and Materials.** The Chairman will have primary responsibility for preparing the agenda for each meeting and arranging for it to be sent in advance of the meeting to the directors along with appropriate written information and background materials so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the materials. Each Board committee, and each individual director, is encouraged to suggest items for inclusion on the agenda. The Board reserves authority to meet to discuss sensitive matters without distribution of written materials.

**C. Board Presentations and Access to Information.** The Board encourages the presentation at meetings by managers who can provide additional insight into matters being discussed or who the CEO believes should be given exposure to the Board. The Company's executive management will afford Board members access to the Company's employees and the independent auditors. The Board encourages management to arrange presentations at Board meetings by the Company's managers and provide other reports that will enhance the flow of meaningful financial and business information to the Board. The Board and Board committees may hire independent legal, financial or other advisors at their discretion.

#### **IV. BOARD COMMITTEES**

**A. Committees.** The current five standing committees of the Board are the Audit Committee, Compensation Committee, Benefit Plans and Investment Committee, Business Planning and Corporate Development, and Nominating and Corporate Governance Committee. From time to time the Board may establish a new committee or disband a current committee depending upon the circumstances.

**B. Committee Member Selection.** The Board will designate the members and Chairman of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee. There are no fixed terms for service on committees.

**C. Committee Functions.** The full authority and responsibilities of each committee is fixed by resolution of the full Board and the committee's charter. The number and content of committee meetings and other matters of committee governance will be determined by each committee in light of the authority delegated by the full Board to the committee, the committee's charter and applicable regulations or principles. The Company will provide to each committee access to employees and other resources to enable committee members to carry out their responsibilities.

#### **V. BOARD RESPONSIBILITIES**

**A. Company Oversight.** The Board of Directors is elected by the stockholders. Except for those matters reserved for stockholder approval, the Board of Directors is the ultimate decision-making body of the Company. The Board of Directors selects the Company's senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board advises and guides senior management and monitors its performance.

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In fulfilling that responsibility, the directors may rely on the honesty and integrity of the Company's senior management and on legal, accounting, financial and other advisors.

**B. Annual Self Evaluation.** The Board will conduct an annual self-evaluation of its performance and the performance of its committees. The Nominating and Corporate Governance Committee recommends to the Board and its Committees the methodology for such evaluations and assists in the completion of such evaluations.

## **VI. MANAGEMENT RESPONSIBILITIES**

**A. Management Succession and Development Planning.** The CEO will review with the Board succession and development plans for senior executive officers. The Board may from time to time ask the Compensation Committee to undertake specific reviews concerning management succession planning.

**B. Financial Reporting, Legal Compliance and Ethical Conduct.** The Board's governance and oversight functions do not relieve the Company's executive management of the primary responsibility for preparing financial statements which accurately and fairly present the Company's financial results and condition. Executive management shall maintain systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the Company's business.

**C. Corporate Communications.** The Board believes that executive management has the primary responsibility to communicate with investors, the press, employees and other constituencies that are involved with the Company, and to set policies for those communications.