

Board of Directors – Independence Rules

April 12, 2006

- Majority of Independent Directors. Under the Nasdaq rules, a majority of the Company's directors must be "independent." To qualify as an independent director, (i) the board must affirmatively determine that the director does not have any relationship that, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and (ii) the director must not be in any relationship specified in the Nasdaq rules that precludes a board determination of independence.
 - > Relationships that under the Nasdaq rules preclude independence, and continue to do so for a three-year "cooling-off" period following the termination of such relationship, are:
 - + employment of the director by the Company or by any parent or subsidiary of the Company;
 - + acceptance by the director or a family member of any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 in a fiscal year, other than (i) compensation for board or committee service, (ii) payments arising solely from investments in the Company's securities, (iii) compensation paid to a family member who is a non-executive employee of the Company or a parent or subsidiary of the Company, (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation, or (v) loans permitted under Section 13(k) of the Securities Exchange Act of 1934, as amended (the "Exchange Act");
 - + a director is a family member of an individual who is employed by the Company or by any parent or subsidiary of the Company as an executive officer;
 - + a director or family member is a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in a fiscal year that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than (i) payments arising solely from investments in the Company's securities or (ii) payments under non-discretionary charitable contribution matching programs;
 - + a director or family member is employed as an executive officer of another company where any of the executive officers of the Company serve on the compensation committee of such other company; and

- + a director or family member is a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor working on the Company's audit.
- Meetings of Independent Directors. Under Nasdaq rules, independent directors of the Company must meet in regularly scheduled executive sessions at which only independent directors are present. Nasdaq suggests that such meetings should occur at least twice a year, and perhaps more frequently, in conjunction with regularly scheduled board meetings.

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