

## COSTAR TECHNOLOGIES, INC.

### CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of Costar Technologies, Inc. (the “**Company**”) has adopted the corporate governance guidelines set forth below to assist and guide the Board in the exercise of its responsibilities. These guidelines should be interpreted in accordance with any requirements imposed by applicable federal or state law or regulation and the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company. The Board may review and amend these guidelines from time to time.

#### I. DIRECTOR QUALIFICATION STANDARDS

- **Director Criteria:** The Board of Directors shall consider and approve from time to time the criteria that it deems necessary or advisable for prospective director candidates. The Board of Directors shall have full authority to modify such criteria from time to time as it deems necessary or advisable.

The Board of Directors has delegated to the Nominating and Corporate Governance Committee the responsibility for developing and recommending to the Board of Directors for its consideration and approval such criteria for prospective director candidates as the Nominating and Corporate Governance Committee deems necessary or advisable. The Nominating and Corporate Governance Committee will recommend to the Board of Directors from time to time such criteria for its consideration and approval. The Board of Directors may, however, rescind this delegation to the Nominating and Corporate Governance Committee and thereafter the Board of Directors shall have the responsibility for developing and approving from time to time such criteria for prospective director candidates as it deems necessary or advisable.

- **Process For Identifying and Selecting Directors:** The Board of Directors has delegated to the Nominating and Corporate Governance Committee the responsibility of identifying suitable candidates for nomination to the Board of Directors (including candidates to fill any vacancies that may occur) and assessing their qualifications in light of the policies and principles in these corporate governance guidelines and the committee’s charter. The Nominating and Corporate Governance Committee will recommend prospective director candidates for the Board’s consideration and review the prospective candidates’ qualifications with the Board. The Board of Directors shall retain the ultimate authority to nominate a candidate for election by the stockholders as a director or to fill any vacancy that may occur.

In identifying prospective director candidates, the Nominating and Corporate Governance Committee shall consider all facts and circumstances that it deems appropriate or advisable, including, among other things, the skills of the prospective director candidate, his or her depth and breadth of business experience or other background characteristics, his or her independence and the needs of the Board. The Nominating and Corporate Governance Committee shall also consider whether the nominee would assist the Board

in achieving an appropriate mix of members that possess a diversity of backgrounds, experiences, knowledge, abilities and perspectives.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders if properly submitted to the committee. Stockholders wishing to recommend persons for consideration by the committee as nominees for election to the Board of Directors can do so by writing to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Costar Video Systems, 101 Wrangler Drive, Suite 201, Coppell, Texas, 75019. Recommendations must include the proposed nominee's name, detailed biographical data, work history, qualifications and corporate and charitable affiliations. Stockholders of record may also nominate candidates for election to the Board by following the procedures set forth in the Company's By-laws.

- **Independence:** At least a majority of the members of the Board of Directors shall meet the definition of independence set forth in the rules and regulations of The NASDAQ Stock Market.

At least annually, the Board will evaluate all relationships between the Company and each director in light of relevant facts and circumstances for the purposes of determining whether a material relationship exists that might signal a potential conflict of interest or otherwise interfere with such director's ability to satisfy his or her responsibilities as an independent director.

- **Limit on Number of Other Boards:** Carrying out the duties and fulfilling the responsibilities of a director require a significant commitment of an individual's time and attention. To this end, non-management directors should not serve on more than three public company boards in addition to the Board. Management directors should not serve on more than one public company board in addition to the Board. In connection with its assessment of director candidates for nomination, the Nominating and Corporate Governance Committee will assess whether the performance of any director has been or is likely to be adversely impacted by excessive time commitments, including service on other boards of directors. Directors must notify the Chairman of the Nominating and Corporate Governance Committee in connection with accepting a seat on the board of directors of another business corporation so that the potential for conflicts or other factors compromising the director's ability to perform his duties may be fully assessed.
- **Term and Age Limits:** The Board does not believe that arbitrary limits on the number of consecutive terms a director may serve or on the directors' ages are appropriate in light of the substantial benefits resulting from a sustained focus on the Company's business, strategy and industry over a significant period of time. Each individual's performance will be assessed by the Nominating and Corporate Governance Committee in light of relevant factors in connection with assessments of candidates for nomination to be directors.
- **Succession:** The Nominating and Corporate Governance Committee shall be responsible for developing succession plans for the Board as appropriate in light of relevant facts and circumstances.

- **Change of Responsibility of Director.** When a non-employee director's principal occupation or business association changes substantially during his or her tenure as a director, that director shall inform the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee and consult with them regarding the impact (if any) of such change on the director's ability to continue to carry out his or her duties and responsibilities as a director of the Company effectively and, if there is a perceived adverse impact, whether continued Board service is appropriate. Where appropriate, the Nominating and Corporate Governance Committee shall review such change in circumstances and make its recommendation to the Board. The Board in its discretion will determine whether such member should continue to serve as a director.

## II. DIRECTOR RESPONSIBILITIES

- **Role of Directors:** The business and affairs of the Company are managed by or under the direction of the Board of Directors, acting on behalf of the stockholders. Among other things, the Board performs the following specific functions: (a) selects, evaluates and determines the compensation of the Chief Executive Officer, (b) reviews and approves the Company's strategic plans, annual operating plans and budgets, (c) oversees succession planning for the Chief Executive Officer, (d) advises management on significant issues facing the Company, (e) reviews and approves significant corporate actions, (f) oversees the financial reporting process, communications with stockholders, and the Company's legal and regulatory compliance programs, and (g) nominates directors and establishes procedures for effective corporate governance.

The Board has delegated to the officers of the Company the authority and responsibility for managing the Company's everyday affairs. The Board of Directors has an oversight role and is not expected to perform or duplicate the tasks of the CEO or senior management.

- **Board and Company Leadership.** The Board is responsible for the selection of the Chairman of the Board and the Chief Executive Officer.
- **Independent Chairman.** It is the policy of the Board that the Chairman of the Board should be an independent director.
- **Board Meetings:** Board and committee meetings are generally held on a pre-determined schedule, with additional meetings scheduled as needed. The Chairman of the Board presides at Board meetings, including executive sessions of non-management directors. The Chairman of the Board, the CEO, the Chairman of the Nominating & Corporate Governance Committee and the corporate secretary prepare an agenda for each Board meeting. Any director may suggest items for inclusion on the agenda.
- **Attendance:** Each member of the Board is expected to make reasonable efforts to attend regularly scheduled meetings of the Board and of the committees on which they serve and to participate in telephone conference meetings or other special meetings of the Board or committees on which they serve. In the event that directors are unable to make

at least 75% of those regular or special meetings (together with the meetings of committees on which such director serves), the Company will be required to disclose that fact in its annual proxy statement. In addition, attendance and participation at meetings is an important component of the directors' duties and, as such, attendance rates will be taken into account by the Nominating and Corporate Governance Committee in connection with assessments of director candidates for renomination as directors.

All directors are encouraged to attend the Company's annual meeting of stockholders.

- **Time Commitment; Advance Distribution and Review of Materials:** Directors are expected to spend the time needed and meet as frequently as the Board deems necessary or appropriate to discharge their responsibilities. Information and materials for Board consideration, including the agenda, are generally distributed to directors in advance of a Board meeting, with additional time provided when the complexity of an issue demands. Directors should review these materials prior to the meeting. Senior management is responsible for distributing information and data that are important to the Board's understanding of the business to be conducted at a Board or Committee meeting to the directors.

### III. BOARD STRUCTURE

- **Size of Board:** The Board, with the recommendation of the Nominating and Corporate Governance Committee, will regularly evaluate the size of the Board, subject to any relevant provisions in the Company's by-laws, depending on an assessment of the Board's needs and other relevant circumstances at any given time.
- **Committees:** The Board intends at all times to have an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee and may have a Strategic Committee. Each of these standing committees will have a written charter that sets forth the responsibilities of such committee and the qualifications for committee membership. The Board may from time to time establish additional committees as necessary or appropriate. The Audit, Compensation and Nominating and Corporate Governance Committees will be comprised of only directors who meet the NASDAQ Stock Market definition of "independence," as determined by the Board. In addition, the charters of the Audit and Compensation Committee will set forth additional criteria, including any additional requirements under the rules and regulations of the NASDAQ Stock Market and the Securities and Exchange Commission, for directors to serve as members on such Committees.
- **Executive Sessions:** The independent directors will meet at regularly scheduled executive sessions, at least twice each year, without management participation.

#### **IV. DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

- In carrying out its responsibilities, the Board of Directors, and each committee thereof, shall be entitled to rely on the advice and information that it receives from management and such experts, advisors and professionals with whom the Board, or any such committee, may consult. The Board of Directors, and each committee thereof, shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company, attend a meeting of the Board, or such committee, or meet with any members of or advisors to the Board. The Board or any committee thereof shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its or their responsibilities. The Company shall be responsible for the payment of any outside advisor retained by the Board or any committee thereof in connection with the Board or such committee carrying out their responsibilities.

#### **V. DIRECTOR COMPENSATION AND OWNERSHIP**

- The form and amount of director compensation will be reviewed periodically, but at least annually, by the Compensation Committee, which shall make recommendations to the Board based on such review. The Board shall retain the ultimate authority to determine the form and amount of director compensation.
- The Company's executive officers shall not receive additional compensation for their service as Directors.
- The Board believes that, to align the interests of directors and stockholders, directors should have a significant financial interest in the Company. Therefore, each director is required to meet the minimum stock ownership guidelines set forth in the Company's Stock Ownership Guidelines Policy.

#### **VI. Director Orientation and Continuing Education**

- The Company will conduct an orientation program for each new director within three months following the meeting at which the director is elected. The orientation will include presentations by senior management designed to familiarize the new director with the Company's business and strategic plans, key policies and practices, principal officers and management structure, auditing and compliance processes and its code of business conduct and ethics.
- The Company's senior management will be responsible for periodically providing materials or briefing sessions for continuing directors on topics that will assist them in discharging their duties.

## **VII. CEO SUCCESSION PLAN**

- The Nominating and Corporate Governance Committee shall be responsible for developing a CEO succession plan for consideration by the Board and reporting on such plan to the Board.

## **VIII. PERFORMANCE EVALUATION OF THE BOARD AND COMMITTEES**

- The Nominating and Corporate Governance Committee will oversee the evaluation of the Board and its committees and will conduct a self-evaluation from time to time for the purpose of determining whether it is functioning effectively. These evaluations will consider the performance of the board or the committee, as the case may be, as a unit.

## **IX. CODE OF BUSINESS CONDUCT AND ETHICS**

- The Board has adopted a Code of Business Conduct and Ethics for directors, officers and employees to foster a common set of fundamental values and operating principles. The Board oversees procedures for administering and promoting compliance with the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics, including any amendments or waivers thereto, is posted on the Company's website at [www.costartechologies.com](http://www.costartechologies.com).

## **X. STOCKHOLDER COMMUNICATIONS WITH DIRECTORS**

- Stockholders may communicate with the Board, or any individual director, by transmitting correspondence by mail or email, addressed as follows: Board of Directors or individual Director, c/o Corporate Secretary. The Corporate Secretary will maintain a log of such communications and will transmit as soon as practicable such communications to the Board or to the identified director(s).

## **XI. MISCELLANEOUS**

- The Board believes that the management should be responsible for communications with the press, media and other outside parties made on behalf of the Company, though individual Board members may, at the request of management or of the Board, communicate with outside parties on behalf of the Company.
- The Company will maintain a policy governing the evaluation, consideration and approval of related party transactions (known as the Related Party Transaction Policy and Procedures). The Audit Committee will be responsible for reviewing and approving the Company's Related Party Transaction Policy and Procedures.

- The Board will review and evaluate at least annually the long-term strategic and business plans of the Company.
- The Company does not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any Board member or executive officer of the Company.
- These guidelines are not intended to modify, extinguish or in any other manner limit the indemnification, exculpation and similar rights available to the directors of the Company under applicable law and/or the Company's certificate of incorporation and/or its by-laws.
- Although these corporate governance guidelines have been approved by the Board, it is expected that these guidelines will evolve over time as customary practice and legal requirements change. In particular, guidelines that encompass legal, regulatory or exchange requirements as they currently exist will be deemed to be modified as and to the extent such legal, regulatory or exchange requirements are modified. In addition, the guidelines may also be amended by the Board at any time as it deems appropriate.