



The Pool Company

## CORPORATE GOVERNANCE GUIDELINES

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### I. Board Membership

1. Size of Board. The Board's optimum size is 6 - 9 members, but may be adjusted from time to time by the Board in accordance with the requirements of the Company's governing documents.
2. Board Independence. The Board is not be required to meet the independence requirements of the Nasdaq Stock Market (the "Exchange") because the Company is a "controlled company" within the meaning of the Exchange's listing standards. If the Company ceases to be a "controlled company" or the Board determines not to rely on the Exchange's "controlled company" exemption, the Board shall meet the independence requirements of the Exchange within the phase-in periods applicable to companies who cease to be "controlled companies."

Notwithstanding the foregoing requirements, Audit Committee members are subject to, and will comply with, heightened independence requirements pursuant to the rules of the Securities and Exchange Commission and the Exchange.

The Board shall determine, annually or more frequently as the Board may so desire, based on all of the relevant facts and circumstances, whether each director satisfies these criteria for independence and will disclose each of these determinations.

Each independent director of the Board shall promptly notify the Board Chair of any developments that may impair such director's independence. Upon being so notified, the Board Chair shall, with the assistance of the Nominating and Corporate Governance Committee, oversee a review of whether a conflict of interests exists and what an appropriate resolution would be (which shall include consultation on legal issues with the General Counsel of the Company or other outside counsel as appropriate). If a conflict exists and cannot be resolved, such director should submit to the Board written notification of such conflict of interest and an offer of resignation from the Board and each of the committees on which such director serves. The Board need not accept such offer of resignation; however, the submission of such offer of resignation provides the opportunity for the Board to review the appropriateness of the continuation of such individual's membership on the Board or any Board Committee.

3. Director Selection and Board Membership Criteria.

The Nominating and Corporate Governance Committee has, as one of its responsibilities, the recommendation of director candidates to the full Board. Nominees for directorship will be identified by the Nominating and Corporate Governance Committee in accordance with the criteria set forth below and any other criteria that may be identified by the Board or a Board Committee, if appropriate, and in accordance with the procedures set forth in the Nominating and Corporate Governance Committee's charter.

- (a) Background. The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. This assessment will include an individual's independence, as well as consideration of age, skills and experience, and a policy of promoting diversity, in the context of the needs of the Company.
- (b) Simultaneous Service. No director should serve on more than three other public company boards. No member of the Audit Committee should serve on more than two other public company audit committees. No director who is an executive officer of another public company should serve on more than one other public company board, aside from the board of his/her own company. Directors should advise the Board Chair and the chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board or audit committee or to assume the chair or lead independent director position on another public company board.
- (c) Financial Literacy. Directors should know how to read and understand fundamental financial statements and understand the use of financial ratios and information in evaluating the financial performance of the Company.
- (d) Character. Directors should be persons of good character and thus should possess all of the following personal characteristics:
  - *Integrity*: Directors should demonstrate high ethical standards and integrity in their personal and professional dealings;
  - *Accountability*: Directors should be willing to be accountable for their decisions as directors;
  - *Judgment*: Directors should possess the ability to provide wise and thoughtful counsel on a broad range of issues;
  - *Responsibility*: Directors should interact with each other in a manner which encourages responsible, open, challenging and inspired discussion;

- *High Performance Standards:* Directors should have a history of achievements which reflects high standards for themselves and others;
- *Commitment and Enthusiasm:* Directors should be committed to, and enthusiastic about, their performance for the Company as directors, both in absolute terms and relative to their peers; and
- *Courage:* Directors should possess the courage to express views openly, even in the face of opposition.

(e) Expectations. Each Director will be expected to:

- dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties;
- comply with the duties and responsibilities set forth herein and in the Bylaws of the Company;
- comply with all duties of care, loyalty and confidentiality applicable to directors of publicly traded corporations organized in our jurisdiction of incorporation, subject to the provisions set forth in the Company's governing documents; and
- adhere to the Company's Code of Conduct and Business Ethics, including, but not limited to, the policies on conflicts of interest expressed therein and any other Company policies that apply to Directors.

#### 4. Retirement.

- (a) Term Limits. The Board does not favor term limits for directors, but believes that it is important to monitor overall Board performance. Therefore, the Nominating and Corporate Governance Committee shall review each director's continuation on the Board at the expiration of his or her term. This will provide a regular schedule for the Board to evaluate each director's nomination and each director to confirm his or her desire to continue as a member of the Board, in addition to any reviews the Board determines to do from time to time.
- (b) Resignation Policy – Management Directors. Management directors shall offer to resign from the Board upon their resignation, removal or retirement as an employee of the Company.

- (c) Change in Job Responsibilities. The Board expects directors to notify the Board promptly and offer to resign from the Board upon a significant change in their business position including, without limitation, retirement from the position on which their original nomination was based. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they joined the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

## **II. Board Leadership:**

1. Board Chair. The Board Chair shall be elected by the Board. Currently, the Board Chair is not the Chief Executive Officer (“CEO”) of the Company, however, the Board believes that the Company and its stockholders are best served by maintaining flexibility to have any director serve as Board Chair and therefore believes that a permanent policy on whether the Board Chair and CEO positions should be separated or combined is not appropriate.
2. Lead Director. At any time the Company is not availing itself to the “controlled company” exceptions under the rules of the Exchange, in order to maintain the independent integrity of the Board, if the Board Chair is not an independent director, the Board shall appoint a Lead Director who must be independent. The Lead Director’s responsibilities shall include: (a) presiding at all meetings of the Board at which the Board Chair is not present, including executive sessions of the independent directors; (b) serving as liaison between the Board Chair and the independent directors; (c) reviewing and approving materials to be sent to the Board; (d) approving the meeting agendas for the Board; (e) approving meeting schedules to assure that there is sufficient time for discussion of all agenda items; (f) having the authority to call meetings of the independent directors; and (g) if requested by major shareholders, ensuring that he or she is available for consultation and direct communication. If the Board Chair is an independent director, than the foregoing responsibilities will be handled by the Board Chair.

## **III. Board Roles, Procedures and Practices:**

1. Directors’ Duties. The Board is elected by stockholders to provide oversight and strategic guidance to senior management. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company’s officers, employees, outside advisors and independent auditors. The Board selects and oversees senior management, to whom the Board delegates the authority and responsibility for the conduct of the day-to-day operations of the business. The Board will adopt a strategic planning process to establish objectives and goals for the Company and will review, approve and modify as

appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, as appropriate, a strategic plan that takes into account, among other things, the opportunities and risks of the Company's business and affairs.

Directors are expected to attend the annual meeting of stockholders, Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. Each director's engagement and attendance at, and preparation for, Board meetings and meetings of committees on which they serve, shall be considered by the Nominating and Corporate Governance Committee when recommending director nominees.

2. Board Meetings.

- (a) Selection of Agenda Items and Executive Sessions. The Board Chair (in consultation with the Lead Director, if any) establishes the agenda for Board meetings although each Board member is free to suggest the inclusion of items on the agenda. The Board will meet at least quarterly in executive session without management directors and any other members of the Company's management present. In addition, at least annually, all independent directors shall meet in executive session.
- (b) Distribution of Materials. The Company shall distribute written materials sufficiently in advance of meetings to permit a meaningful review by the directors.
- (c) Number of Meetings. The Board shall hold a minimum of four meetings per year.

3. Stock Ownership Requirements. To align the interests of the Company's directors with those of its stockholders, the Board recommends non-management directors to hold the restricted stock they receive as compensation (except as necessary to pay taxes upon vesting) until termination of their service. In addition, as described more fully in the Company's proxy statement/management stock ownership policy, our senior executive officers are required to own specified amounts of Company stock, set at a multiple of the officers' base salary rates.

Directors, executive officers and employees of the Company, and their designees, are prohibited from purchasing any financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds) or otherwise engaging in transactions that are designed to or have the effect of hedging or offsetting any decrease in the market value of the Company's equity securities whether are (1) granted to the director, officer or employee by the

Company as part of such director's, officer's or employee's compensation; or (2) held, directly or indirectly, by the director, officer or employee.

Directors, executive officers and employees, and their designees may not purchase securities of the Company on margin or pledge, or otherwise grant a security interest in, securities of the Company in margin accounts. Directors, executive officers and employees, and their designees should consult the Company's Securities Trading Policy.

4. Director Compensation. The form and amount of non-management director compensation will be determined by the Board upon the recommendation of the Compensation Committee. The Board is aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the Company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The Board will critically evaluate each of these matters when determining the form and amount of director compensation, including considering whether such compensation would affect the directors' independence under applicable requirements.
5. Director Orientation and Continuing Education. The Nominating and Corporate Governance Committee develops and maintains the Company's orientation programs for new directors and continuing education programs for directors.

Each new director, upon joining the Board, is provided with an orientation session regarding the Board and the Company's operations. As part of this orientation, each new director shall have an opportunity to meet with members of senior management of the Company, the Company's independent auditor and the Company's compensation advisor, if any.

Directors are also provided with continuing education on various subjects that will assist them in discharging their duties, which may include presentation by Company management or the Board's advisors on the Company's business, compliance efforts, applicable legal, regulatory or other developments or other matters as the Board, or the Nominating and Corporate Governance Committee in its oversight of the Board's continuing education program, may deem appropriate. The Company will also provide the directors with access to outside education programs pertaining to the directors' responsibilities, as appropriate.

6. Assessing Board Performance. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors as to the Board's performance and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.

7. Access to Officers, Employees and Advisors. Board members have complete and open access to the Company's senior management, any other employees and any Company advisors. Board members who wish to have access to such persons shall coordinate such access through the Board Chair, Lead Director or the General Counsel.
8. Board Communication Policy. The Board believes that management should speak for the Company and that the Chair should speak for the Board. In order to ensure compliance with applicable securities laws and to avoid the potential detriment to the interests of the Company, its stockholders and other constituencies that could result from inconsistent communications, the members of the Board will not respond to external inquiries, including media inquiries, or make statements to the media regarding the Company and its business without consultation with, and approval by, the Board Chair. Where appropriate, the Board Chair will confer with the Company's CEO on any such external communications.

Notwithstanding the foregoing, the Audit Committee and the independent directors have established procedures to enable anyone who has a concern about the Company's conduct or about the Company's accounting, internal accounting controls or auditing matters to communicate those concerns directly to the Audit Committee. Such communications may be confidential or anonymous and may be submitted electronically, by phone or in writing to: Lighthouse Services, Inc. 1710 Walton Rd., Suite 204, Blue Bell, PA 19422, Attention: Latham Pool; phone number: 833-961-3635 and through: [www.lighthouse-services.com/lathampool](http://www.lighthouse-services.com/lathampool).

9. Board Authority. The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.
10. Confidentiality. The Board believes maintaining confidentiality of information and deliberations is an imperative. Information learned during the course of service on the Board is to be held confidentially and used solely in furtherance of the Company's business.
11. Code of Conduct and Business Ethics and Other Company Policies. The Company has adopted a Code of Conduct and Business Ethics and other internal policies and guidelines designed to support these guidelines and to comply with applicable law. The directors are expected to comply fully with that Code and any other applicable policies and guidelines. The Board will adopt and review, as appropriate, policies and procedures designed to ensure that the Company, its directors, officers and employees comply, in all material respects, with all applicable regulatory requirements and conduct the Company's business ethically and with honesty and integrity. Principal policies consist of:

- (a) The Code of Conduct and Business Ethics;
- (b) Disclosure Controls and Procedures Policy;
- (c) Regulation FD Policy;
- (d) Securities Trading Policy; and
- (e) Related Person Transactions Policy.

#### **IV. Board Committees**

1. Board Committees. The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. To the extent required by the Exchange, each of these Committees shall consist solely of independent directors, subject to applicable phase-in rules and regulations and other permitted exceptions.

Members of the Compensation Committee and Nominating and Corporate Governance Committee are not required to meet the independence requirements of the Exchange because the Company is a “controlled company” within the meaning of the Exchange’s listing standards. If the Company ceases to be a “controlled company” or the Board determines not to rely on the Exchange’s “controlled company” exemption, the members of Compensation Committee and Nominating and Corporate Governance Committee shall meet the independence requirements of the Exchange within the phase-in periods applicable to companies who cease to be “controlled companies.”

Committee members will be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors. Each committee shall have its own charter, which will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

All directors, whether or not members of a particular committee are permitted to attend any committee meeting, if invited by the Committee.

2. Rotation of Committee Assignments and Chairs. Committee assignments and the designation of committee chairs should be based on the director’s knowledge, interests and areas of expertise as well as the needs of the Company and the Board. The Board generally does not favor mandatory rotation of committee assignments or chairs because of our belief that experience and continuity are more important than rotation.



**V. Executive Officer Evaluation, Compensation and Management Succession**

1. Executive Officer Evaluation and Compensation. The Compensation Committee reviews and makes recommendations to the Board with respect to the Company's compensation philosophy, policies and programs so as to support the Company's overall business strategy as set forth in such Committee's Charter. On an annual basis, the Compensation Committee will review and approve corporate goals and objectives relevant to the compensation of the Company's CEO and other executive officers, evaluate the CEO and other executive officer's performance in light of those goals and objectives and determine and approve CEO and other executive officers' compensation levels based on this evaluation. No executive officers may be present during voting or deliberations relating to his or her compensation.
  
2. Succession. The Nominating and Corporate Governance Committee oversees the Company's management succession planning as set forth in such Committee's charter. The Nominating and Governance Committee will develop and recommend to the Board for approval a CEO succession plan as well as an interim CEO succession plan in the event of an unexpected occurrence, and will also review such plan from time to time as appropriate.