

US Dataworks, Inc. Corporate Governance Guidelines

Director Independence

At least sixty percent (60%) of the Board of Directors shall be independent within the meaning of the Corporate Governance Standards of the American Stock Exchange.

The Board of Directors has developed the following categorical standards for determining the materiality of relationships that the Directors may have with the Company. A Director shall not be deemed to have a material relationship with the Company that impairs the Director's independence as a result of any of the following relationships:

- The Director is an officer or other person holding a salaried position of an entity (other than a principal, equity partner or member of such entity) that provides professional services to the Company and the amount of all payments from the Company to such entity during the most recently completed fiscal year was less than five percent (5%) of such entity's consolidated gross revenues;
- The Director is the beneficial owner of less than ten percent (10%) of the outstanding equity interests of an entity that does business with the Company;
- The Director is an officer of an entity that is indebted to the Company, or to which the Company is indebted, and the total amount of either the Company's or the business entity's indebtedness is less than ten percent (10%) percent of the total consolidated assets of such entity as of the end of the previous fiscal year; and
- The Director obtained products or services from the Company on terms generally available to customers of the Company for such products or services.

The Board retains the sole right to interpret and apply the foregoing standards in determining the materiality of any relationship. Further, the Board may, at its sole discretion, enact certain procedures for the purpose of ameliorating or mitigating the effect of any potentially compromising relationship upon a Director's fiduciary conduct.

The Board shall undertake an annual review of the independence of all non-management Directors. To enable the Board to evaluate each non-management Director, in advance of the meeting at which the review occurs, each non-management Director shall provide the Board with full information regarding the Director's business and other relationships with the Company, its affiliates and senior management.

Directors must inform the Board whenever there are any material changes in their circumstances or relationships that could affect their independence, including all business relationships between a Director and the Company, its affiliates, or members of senior management, whether or not such business relationships would be deemed not to be material under any of the categorical standards set forth above. Following the receipt of such information, the Board shall reevaluate the Director's independence.

Director Identification and Qualifications

The Governance Committee is responsible for assisting the Board in identifying individuals qualified to become members of the Company's Board of Directors. Potential candidates for Board positions are identified by the Board of Directors and the Governance Committee through a variety of means, including the use of search firms, recommendations of Board members, recommendations of executive officers and shareholder recommendations received as provided below. Potential candidates for nomination as Director candidates must provide written information about their qualifications and participate in interviews

conducted by individual Board members, including the Chairs of the Audit and Governance Committees. Candidates are evaluated using the criteria adopted by the Board to determine their qualifications based on the information supplied by the candidates and information obtained from other sources.

The Committee will consider shareholder nominations for Directors that meet the notification, timeliness, consent and information requirements of US Dataworks' by-Laws applicable to nominations that are brought before an annual meeting by a stockholder. The Committee makes no distinctions in evaluating nominees for positions on the Board based on whether or not a nominee is recommended by a security holder, provided that the procedures with respect to nominations referred to above are followed.

In recommending candidates for election as Directors, the Governance Committee will take into consideration the need for the Board to have sixty percent (60%) of Directors that meet the independence requirements of the Corporate Governance Standards of the American Stock Exchange and such other criteria as shall be established from time to time by the Board of Directors.

The Governance Committee will recommend candidates for election as Director of the Company only if they have the following qualifications, which have been recommended by the Governance Committee to, and approved by, the Board:

- **Financial Literacy.** Such person should be “financially literate” as such qualification is interpreted by the Board of Directors in its business judgment.
- **Leadership Experience.** Such person should possess significant leadership experience, such as experience in business, finance/accounting, law, education or government, and shall possess qualities reflecting a proven record of accomplishment and ability to work with others.
- **Commitment to the Company's Values.** Such person shall be committed to promoting the financial success of the Company and preserving and enhancing the Company's reputation as a leader in its business industry, and in agreement with the values of the Company as embodied in its Code of Business Conduct and Ethics.
- **Absence of Conflicting Commitments.** Such person should not have commitments that would conflict with the time commitments of a Director of the Company. It is expected that a Director will attend a minimum of **eighty five percent (85%)** of all scheduled Board and committee meetings in any calendar year.
- **Reputation and Integrity.** Such person shall be of high repute and recognized integrity and not have been convicted in a criminal proceeding or be named a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses). Such person shall not have been found in a civil proceeding to have violated any federal or state securities or commodities law, and shall not be subject to any court or regulatory order or decree limiting his or her business activity, including in connection with the purchase or sale of any security or commodity.
- **Other Factors.** Such person shall have such other characteristics as may be considered appropriate for membership on the Board of Directors, including an understanding of information technology, marketing and finance, sound business judgment, significant experience and accomplishments and educational background.

When a Director's principal occupation or business association changes from the position he or she held when originally elected to the Board, including because of a retirement from such occupation or association, the Director shall inform the Chairman of the Board of Directors. The Chairman of the Board of Directors shall inform the Chair of the Governance Committee of such development and provide a recommendation as to the action, if any, to be taken. The Governance Committee shall determine whether any action should be taken in such instance.

It is the policy of the Board that no Director shall stand for election after his or her 78th birthday. A Director elected to the Board prior to his or her 78th birthday may continue to serve until the annual shareholders meeting coincident with or immediately following his or her 78th birthday.

Plurality Voting Standard in Director Elections

The Company's By-Laws provide that in any Director election, including an uncontested election of Directors (i.e., an election where the only nominees are those recommended by the Board of Directors), following certification of the shareholder vote, any nominee for election as Director who received a greater number of votes "against" his or her election than votes "for" his or her election shall promptly tender his or her resignation to the Chairman of the Board. The Chairman of the Board shall inform the Chairman of the Governance Committee of such tender of resignation, and the Governance Committee shall promptly recommend to the Board whether to fill the vacancy created by such resignation or to reduce the size of the Board. Any Director who tenders his or her resignation as provided above shall not participate in the Governance Committee's or Board's consideration of whether or not to accept his or her tendered resignation.

If a majority of the members of the Governance Committee were required to tender their resignations as described above, the independent Directors who were not required to tender their resignations shall appoint a special committee of the Board to consider the tendered resignations and whether to accept or reject them.

This guideline on plurality voting in Director elections shall be summarized or set forth in its entirety in each proxy statement relating to an election of Directors of the Company.

Responsibilities of Directors

The Board of Directors is responsible for overseeing the management of the Company's business and advising the Company's executive officers, who conduct the Company's business and affairs. In performing their general oversight responsibility, Directors apply their business judgment to assure that the Company's executive officers manage in the best long-term interests of the Company and its shareholders.

In order to satisfy their oversight responsibilities, Directors are expected to attend all meetings of the Board of Directors and the Committees on which they serve, and the annual meeting of the shareholders of the Company, subject to unavoidable circumstances, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at Board and Committee meetings shall be provided to the Directors prior to or at the meetings. Before the meetings, Directors shall review the materials that are provided in advance. Directors shall be fully protected in relying in good faith upon the records of the Company and upon information, opinions, reports or statements presented to the Board of Directors by any of the Company's officers or employees, or Committees of the Board, or by any other person as to matters the Director reasonably believes are within such other person's professional or expert competence.

The Chairman of the Board and the Committee Chairs shall approve agendas for meetings of the Board of Directors and the Board Committees. Any Director and Committee members shall have the right to suggest matters to be included on the agendas and at meetings raise subjects that are not on the agendas. At one meeting a year, the Board shall review the Company's business plan.

Non-management Directors shall meet at least four times a year in executive session without management. The non-management Directors also may meet from time to time throughout the year privately with the Chief Executive Officer. If the group of non-management Directors includes Directors who are not "independent" within the meaning of the American Stock Exchange Corporate Governance Standards, the Directors who are independent shall meet at least annually in an executive session that includes only Independent Directors.

Directors should advise the Chair of the Governance Committee and the Chairman of the Board before accepting membership on other boards of directors or any audit committee or other significant committee assignment on any other public company board of directors.

Directors are encouraged to limit the number of other public company boards on which they serve to no more than three, taking into account the requirements of time, participation and attendance that multiple board service entails. Directors who are currently serving on more than three other public company boards, having demonstrated their ability to devote the time and attention that are required to serve on multiple boards, will be permitted to continue to serve in such capacities.

Directors are expected to act in conformity with the letter and spirit of the Company's Code of Business Conduct and Ethics.

Lead Director

The independent Directors shall appoint an independent Director to serve as Lead Director, for a term or terms as the independent Directors shall determine.

The Lead Director shall:

- Preside over meetings of the Board of Directors in executive session;
- Chair the Executive Committee of the Board and ensure that its charter is diligently executed;
- Confer with the Chairman of the Board and the Chief Executive Officer about Board meeting schedules, agendas and information to be provided to the Directors;
- Confer with the Chairman of the Board and the Chief Executive Officer on issues of corporate importance that may involve action by the Board;
- Participate in the Compensation Committee's annual performance evaluation of the Chairman of the Board and the Chief Executive Officer; and
- In the event of the incapacity of the Chairman of the Board and/or Chief Executive Officer, direct the Secretary of the Company to take all necessary and appropriate action to call a special meeting of the Board as specified in the by-laws to consider the action to be taken under the circumstances.

Board Committees

The Board of Directors has established the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Executive Committee, and may from time to time establish other Committees. Upon the recommendation of the Governance Committee, the Board of Directors shall appoint the chairs and members of the Committees, the Board having determined their qualifications.

Each of the Audit Committee, the Compensation Committee and the Governance Committee shall consist entirely of Directors who meet the independence requirements under the Corporate Governance Standards of the American Stock Exchange, and, in the case of the Audit Committee, the additional independence requirements for audit committee members under such Corporate Governance Standards and the regulations of the Securities and Exchange Commission. The Board of Directors shall determine whether or not at least one member of the Audit Committee is an "audit committee financial expert" with the attributes described in Item 401(h)(2) of Regulation S-K promulgated by the Securities and Exchange Commission.

Each Committee shall have a charter that sets forth its role and responsibilities.

Management Succession

The Board of Directors shall annually consider a succession plan for the Chief Executive Officer and the executive officers of the Company taking into consideration the Chief Executive Officer's recommendations and evaluations of any potential successors and any development plans that the Chief Executive Officer may recommend for any such potential successors.

Director Access to Management and to Outside Advisors

Directors shall have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chief Executive Officer or the Corporate Secretary; provided, that, using his or her best judgment to assure that any such contact would not be disruptive to the business operations of the Company, a Director may contact an officer or employee directly if he or she wishes to do so.

The Board of Directors may obtain advice and assistance from outside advisors as the Board may determine to be necessary or desirable. The Board shall have the sole authority to approve the fees and other terms of engagement of any such advisor. The Board may select as its advisor an advisor that is otherwise engaged by the Company for another purpose.

Director Compensation

Recommendations about the composition and amount of Director compensation shall be made to the Board of Directors by the Compensation Committee, which shall conduct an annual review of Director compensation taking into account the compensation of Directors at comparable companies and the advice of compensation consultants when necessary or appropriate.

Director Orientation and Continuing Education

Within a reasonable time following a Director's election to the Board of Directors, he or she shall participate in an orientation program which will include presentations by the Company's executive officers concerning the Company's strategic plans, the operations of its significant business segments, its significant financial, accounting and risk management issues, its compliance programs, and its codes of ethics for the Board, employees and senior financial officers. Not less than annually, the Board of Directors and the executive officers shall engage in an in-depth review of the Company's strategic plans and goals and significant business challenges and opportunities.

Annual Evaluation of the Board's Performance

The Board of Directors shall conduct an annual self-evaluation to determine whether it and the Board Committees are functioning effectively. The Governance Committee shall solicit comments from all Directors concerning the Board's and the Committees' performance and report annually to the Board about such assessment.