

**LOOKSMART, LTD.**  
**CORPORATE GOVERNANCE GUIDELINES**

The board has developed corporate governance practices to help fulfill its responsibility to the shareholders. These practices are memorialized in these guidelines so that the board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management.

These guidelines are subject to future refinement or changes as the board may find necessary or advisable.

**1. Role of the Board**

The board is responsible for (i) oversight of the business, affairs, and strategy of the Company on a continuous basis; (ii) selection, evaluation, and compensation of the CEO, other executive officers, and the board; (iii) oversight of fiscal, legal, and business conduct matters, including risk mitigation; (iv) provision of operational assistance to the management of the Company; and (v) approval of annual budgets, operating plans, and strategic transactions.

The board may delegate some of its responsibilities to the Committees of the board of directors.

**2. Composition and Qualifications of the Board of Directors**

(a) Size of the Board. As provided by the Company's Bylaws and by resolution of the board of directors, the number of board members can vary.

(b) Mix of Management Directors and Independent Directors. The board believes that as a matter of policy there should be at least a majority of independent directors as defined under NASDAQ rules (directors who meet such NASDAQ standard and, solely in the case of members of the Audit Committee, who also meet the SEC's definition of independence for Audit Committee purposes, referred to as "Independent" directors) on the board. For a nominee to be considered an Independent director, the board must also affirmatively determine that the director has no material relationship with the Company or its affiliates, or any executive officer of the Company or his or her affiliates. A relationship will be considered material if, in the judgment of the board, it would interfere with the director's independent judgment. Directors who are officers or employees of the Company are considered management directors ("Management" directors). A former employee serving on the board will be considered a Management director for purposes of these guidelines for a period of three years. The board may also consist of directors who are not officers or employees of the Company but who are also not considered independent (these directors with the Independent directors are considered "Non-Employee" directors).

(c) Qualifications of Board Members. All board members will possess certain core competencies, some of which may include experience in technology, product development,

Internet search, consumer products, international business/markets, marketing, general operations, legal, strategy, human resources, media or public relations, finance or accounting, or experience as a CEO or CFO. In addition to having one or more of these core competencies, board member nominees are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, reputation, and ability to understand the Company's business. Nominees will be screened to ensure each candidate has qualifications that complement the overall core competencies of the board. The screening process includes conducting a background evaluation and an independence determination.

(d) **Selection of Board Members.** The Nominating and Governance Committee has the responsibility to identify, screen, and recommend qualified candidates to the board. Certain other directors and members of management will interview each candidate as requested by the Chairman, CEO or Chair of the Nominating and Governance Committee. The selection of any new board member is voted upon by the full board.

(e) **Retirement from the Board.** No director who has attained the age of 75 years shall be nominated for re-election or reappointment to the Board.

### **3. Training and Evaluation of the Board of Directors**

(a) **Training.** New Non-Employee directors will receive a comprehensive orientation from appropriate executives regarding the Company's business and affairs.

(b) **Annual Performance Evaluation.** The Nominating and Governance Committee will review and assess the composition and performance of the board, each Committee, and each individual director at least annually. The assessment will be conducted to ensure the board, Committees, and individual members are effective and productive and to identify opportunities for improvement and skill set needs. As part of the process, each member will complete a detailed and thorough questionnaire. Results will be aggregated and summarized for discussion purposes. Individual responses will not be attributed to any member and will be kept confidential to ensure honest and candid feedback is received. The Nominating and Governance Committee will report at least annually to the full board regarding its assessment. Directors will not be nominated for reelection unless it is affirmatively determined that the director is substantially contributing to the overall effectiveness of the board.

(c) **Continuing Education.** Board members are encouraged to attend appropriate continuing education seminars or programs that would be beneficial to the Company and the directors' service on the board. Attendance at any seminar or class may be arranged through the office of the Corporate Secretary.

### **4. Board of Directors Guidelines**

(a) **Change of Status.** In the event a Non-Employee director changes his or her employer, significantly changes his or her position with an employer or significantly changes his or her responsibilities as a director, consultant or otherwise, the director will notify the Chairman of the Nominating and Governance Committee of such change in status. Upon request from the board, the Non-Employee director will tender his or her resignation. This practice provides an opportunity for the board to review the appropriateness of the member's continued membership

on the board. Management directors are expected to tender their resignation from the board at the same time they cease to be an executive officer of the Company.

(b) Term and Term Limits. The Company's Bylaws provide that the board of directors be divided into three classes, with each class to be as nearly equal in number as possible. There is no difference in the voting rights of the members of each class of directors. Each class of directors serves a term of three years, with the term of one class expiring at the annual meeting of stockholders in each successive year. There will be no specific term limits for directors. Directors who have served on the board for an extended period of time are in a position to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies, and objectives. The board believes that, as an alternative to term limits, it can ensure that the board continues to evolve and adopt new viewpoints through the evaluation and selection process described in these guidelines.

(c) Other Public Company Directorships. When a director has been invited to join another public company board, he or she is expected to inform the Chairman and the Chair of the Nominating and Governance Committee and consider the nature of and time commitment of such an appointment. A director that is a member of the Audit Committee cannot sit on more than three audit committees. Further, a director shall not serve on more than five public company boards unless the Company's board approves of such simultaneous service. Board members may not serve on boards of the Company's competitors. The Nominating and Governance Committee will consider these matters when evaluating and nominating directors for reelection. The Chairman and CEO must obtain approval from the full board to serve as a director on any other for-profit board.

(d) Independent Advisors. The board and each Committee have the power to hire independent legal, financial or other advisors at any time, as they deem necessary and appropriate to fulfill their board and Committee responsibilities.

(e) Board Access to Senior Management. Board members have complete access to the Company's management and employees. It is anticipated that all board members, not the Chairman alone, will have regular contact with the CEO, in order to provide mentoring, support, and development feedback. Any meetings or contacts that a director wishes to initiate may be arranged directly or through the office of the Corporate Secretary. Board members are encouraged to provide mentoring or workshops to senior managers in fields in which they have special skills. It is assumed that board members will use judgment to ensure that contacts with management outside of board meetings are not distracting to the business operations of the Company. Board members and/or senior management should also feel free to request the attendance at board meetings of management or employees who can provide additional insight into items being discussed.

(f) External Contacts. The CEO, in coordination with the Chairman, interacts with or appoints persons to interact with institutional investors, the press, and members of the public. Individual directors ordinarily do not communicate directly with these constituencies about Company matters, unless requested to do so by the board or management.

(g) Confidentiality. The proceedings and deliberations of the board and its Committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her services as a director.

(h) Ethics. The Company has adopted comprehensive standards of business conduct, contained in the Code of Business Conduct and Ethics (the "Code"). Each director is expected to be familiar with and to follow the applicable provisions of the Code. The board will review any allegation that an executive officer or director may have violated the Code.

## **5. Compensation of the Board of Directors**

The Compensation Committee periodically reviews and makes recommendations to the board concerning the level and/or form of compensation of the Non-Employee directors. The Committee's recommendation, which is discussed and evaluated by the full board, is based in part on an assessment of the best practices of other companies. Changes in board compensation, if any, must be approved by the full board. Compensation arrangements will be publicly disclosed as and when required by public company disclosure rules.

## **6. Board Committees**

(a) Existing Committees. The current Committees are: (1) Audit, composed solely of Independent directors, including at least one financial expert; (2) Compensation, composed solely of Independent directors who also meet the requirements of Section 16 of the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code; and (3) Nominating and Governance, composed solely of Independent directors. As set forth under the Company's Bylaws, the board has the discretion to form new committees or dissolve existing committees depending upon the circumstances.

(b) Audit. The Audit Committee assists the board in fulfilling its oversight responsibilities relating to the integrity of the financial statements, compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the independent auditor, and to handle such other matters as formalized in the Audit Committee Charter.

(c) Compensation. The functions of the Compensation Committee are to evaluate and determine compensation policies, including level and form, for all corporate and divisional officers and certain employees, to recommend compensation for Non-Employee directors, to advise senior management on policy and strategy regarding succession planning and the development and retention of senior executives and management teams, and to handle such other matters as formalized in the Compensation Committee Charter. The Chair of the Compensation Committee will facilitate the performance review of the CEO.

(d) Nominating and Governance. The Nominating and Governance Committee makes recommendations to the board on all matters concerning corporate governance and directorship practices as formalized in the Nominating and Governance Committee Charter, including development of corporate governance guidelines, evaluation of the board, Committees and directors, and identification and selection of new board nominees.

## **7. Board and Committee Meetings**

(a) Meeting Agendas. The Chairman, CEO, and Corporate Secretary will establish the agenda for each board meeting. Management, in consultation with the appropriate Committee chair, will determine the frequency, length of, and agendas for the meetings of the Committees. Each board member is encouraged to suggest agenda items for board and Committee meetings in advance.

(b) Strategic Planning Sessions. At least once each year, the board will meet for a longer strategy planning session. Generally, these sessions will be to review and approve the Company's overall strategic and long range plans.

(c) Approval of Annual Budgets, Operating Plans, and Strategic Transactions. Senior management will regularly update the board on its performance relative to the Company's budget and plan. The board will approve the annual operating and financial plan. The board will also approve certain strategic transactions, including without limitation any merger or acquisition.

(d) Distribution of Materials. Approximately one week prior to scheduled board or Committee meetings, detailed and updated financial and business information will be distributed along with written materials regarding each planned presentation. The presentation materials allow for proper preparation and consideration of the subject matter before the board or Committee meeting. Board members are expected to have read the material in advance of the meeting. On those occasions in which the subject matter is very sensitive or unavoidable time constraints do not allow for prior preparation of written materials, the subject will be presented at the meeting.

(e) Attendance of Directors and Non-Directors at Board and Committee Meetings. Subject to exigent personal circumstance, board members are expected to attend and actively participate in all meetings of the board and Committees on which they sit, in their entirety. In the event a board member is not able to attend a meeting in person, he or she may attend the meeting by videoconference or teleconference, but this should be a rare exception. As the board deems appropriate, non-board members who are employed by the Company may be invited to attend portions of each board or Committee meeting.

(f) Meetings of Non-Employee Directors. The Non-Employee directors will meet without the presence of management during each regularly scheduled board meeting.

## **8. Leadership**

(a) Chairman and CEO Selection; Lead Director. The board selects the CEO and Chairman in the manner that it determines to be in the best interests of the Company. The offices of Chairman and CEO are held by different persons, unless the Board of Directors determines that it has an effective counterbalancing structure that includes a lead director with clearly delineated and comprehensive duties. The board shall consider at the end of each two-year term of the Chairman whether his or her continued service as Chairman is in the best

interests of the Company. In ordinary circumstances, a Chairman will not be asked to serve more than two two-year terms.

(b) Job Duties of Chairman and CEO. The Company shall approve formal job descriptions for the Chairman, the CEO and, where applicable, any lead director. For the Chairman, such job description shall include leading board meetings and processes to ensure good governance, and setting the agenda for board meetings with the assistance of the CEO, Committee chairs, and the Corporate Secretary. For the CEO, such job description shall include running the business, leading the management team, representing the Company externally (with coordination of the Chairman), and reporting to the board on strategy, execution, and key risks to the Company. For the lead director (if the Chairman and CEO are the same person and the Board of Directors has determined that it has an effective counterbalancing structure), such job description shall include presiding at board meetings when the chair is not present, including independent directors' sessions and approving the agendas for board meetings, and calling meetings of independent directors where appropriate. It is anticipated that the CEO will have frequent contact with the Chairman and regular contact with all board members. The performance of these officers is reviewed annually with respect to their stated duties and objectives.

(c) Succession Planning. The board is responsible for the succession planning of the CEO, and will review annually the succession plan and identify potential successors for the Company's CEO. Also periodically, the Compensation Committee will report to the board on succession planning matters. The CEO will also report to the board on succession plans for certain key officers and make recommendations to the board regarding the CEO's succession.