

**TASTY BAKING COMPANY**  
**CORPORATE GOVERNANCE GUIDELINES**

**1. Director Qualifications**

The Company shall have a majority of directors who meet the criteria for “independence” required by the listing standards of the NASDAQ Stock Market (“Listing Standards”). A recital of the definition of “Independent Director” under the Listing Standards is annexed hereto as Attachment A. In order to qualify a director as “independent,” the Board of Directors shall affirmatively determine that the director has no relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Nominating and Corporate Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board and its various committees on a periodic basis and making its recommendations to the Board. This assessment will include members’ qualification as independent, as well as consideration of diversity in background, skills, and experience in the context of the needs of the Board.

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have a proven record of competence and accomplishment through demonstrated leadership in business, professional, education, government or other service, and be selected based upon contributions they can make to the Board and management. Nominees for directorships will be identified and recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the procedures set forth in the Committee’s charter. The retirement of a director shall normally occur at the end of the term in which he or she becomes 72 years of age, unless otherwise determined by a majority of the Board.

**2. Director Responsibilities**

The basic responsibility of the Directors is to exercise their business judgment in good faith, in a manner they reasonably believe to be in the best interests of the Company with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. Directors are expected to attend meetings of the Board and the committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities, including advance review of meeting materials to the extent available.

**3. Selection of Directors**

The Nominating and Corporate Governance Committee shall identify qualified individuals to become members of the Board. The Committee shall make its recommendations for director nominees to the full Board for approval.

#### **4. Size of the Board**

The Board will be comprised of no less than 3 and no more than 10 members in accordance with the Company's Articles of Incorporation and By-Laws. The precise number is determined from time to time by resolution adopted by a majority vote of the directors in office at the time of the vote.

#### **5. Meetings of the Board; Executive Sessions of Independent Directors**

The Board meets regularly on previously determined dates and conducts special meetings which may be called by the Chairman of the Board or the Chief Executive Officer ("CEO") and shall be called by the Chairman of the Board or Secretary upon the written request of any two directors. Independent directors will meet regularly in executive session without management participation. The Chairman of the Board, so long as he or she is an independent director, shall preside at the executive sessions.

#### **6. Board Meeting Agenda and Materials**

The Chairman of the Board and the CEO establish the agenda for each Board meeting. Board members are encouraged to suggest items for inclusion on the agenda. The agenda for each meeting is provided to the directors in advance of the meeting together with written materials by management on certain matters to be presented for consideration. Management will endeavor to provide material that is concise and informative.

#### **7. Director Compensation**

The Board sets the level of compensation for non-management directors, based on the recommendation of the Compensation Committee. A director who is also a current employee of the Company shall receive no additional compensation for service as a director. From time to time the Compensation Committee shall review the amount and form of compensation paid to directors, taking into account the compensation paid to directors of companies in its peer group and companies of similar size. The Committee's review may be conducted with the assistance of outside experts in the field of executive compensation.

#### **8. Director Orientation**

Each new non-management director shall participate in an orientation program, which shall be conducted as soon as practicable after the new director is elected to the Board. This orientation may include presentations by senior management to familiarize new directors with the Company's strategic plans; its significant financial, accounting and risk management issues; its compliance programs; its Code of Business Conduct and Corporate Governance Guidelines; and its principal officers. All other directors are invited to attend these orientation programs.

## **9. Board Access to Senior Management and Independent Advisers**

Board members shall have complete access to the Company's senior management and independent advisers. It is assumed that Board members will use good judgment to be sure that such contact with senior management and the Company's independent advisers is not distracting to the business operations of the Company. In addition, the CEO, upon consultation with the Chairman of the Board, may designate key members of senior management to attend meetings of the Board from time to time.

## **10. Board Committees and Membership**

The Board establishes committees to assist the Board in overseeing the affairs of the Company. The Board shall have, at a minimum, the following three standing Committees: Audit, Compensation, and Nominating and Corporate Governance. The Audit, Compensation, and Nominating and Corporate Governance Committees will each have its own charter. The charter will set forth the purpose and responsibilities of each Committee. There may be occasions in which the Board may form a new committee or disband or restructure a current committee depending upon circumstances.

The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and the CEO, and in consideration of requests of the individual directors, will recommend to the full Board the membership of each Committee. The Audit, Compensation, and Nominating and Corporate Governance Committees shall each be comprised entirely of "independent" directors as defined by the Listing Standards.

## **11. Committee Meeting Agenda and Materials**

The Chairman of each Committee, in consultation with Committee members and appropriate members of management, shall determine Committee meeting agendas and materials. The Committee Chairman will also determine the length and frequency of Committee meetings consistent with any applicable requirements set forth in the Committee's charter, the Company's By-Laws, Articles of Incorporation, statute, regulation or the Listing Standards. The agenda for each Committee meeting is provided in advance of the meeting. As a general rule, written materials are provided in advance on certain matters to be presented for consideration. In addition, minutes, once approved, of Committee meetings will be provided to all members of the Board.

## **12. CEO Evaluation**

The Compensation Committee annually reviews and evaluates the performance of the CEO. The review is based upon objective criteria, including the performance of the business and the accomplishment of objectives previously established in consultation with the CEO. The Compensation Committee Chairperson reports to the directors of the Board on the evaluation. The results of the review and evaluation are communicated to the CEO by the Chairman of the Compensation Committee and are used by that Committee and the Board when considering the compensation of the CEO.

### **13. Code of Business Conduct**

The Board shall adopt and disclose a Code of Business Conduct for directors, officers and employees. The Board shall approve waivers of the Code of Business Conduct for directors and executive officers and all such waivers shall be disclosed to shareholders as required by applicable law and the Listing Standards .

### **14. Annual Performance Evaluation**

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 and report annually to the full Board with an assessment of the Board's performance and any recommendations. All directors are encouraged to make suggestions on improvement of the Board's practices at any time.

### **15. External Communication**

The CEO and his delegates are responsible for all communication with the media, financial community or other external entities pertaining to the affairs of the Company.

### **16. Website Posting**

The Corporate Governance Guidelines; the charters for the Audit, Compensation, and Nominating and Corporate Governance Committees; and the Company's Code of Business Conduct shall be posted on the Company's website as required by applicable law and the Listing Standards.

**Attachment A to  
Tasty Baking Company Corporate Governance Guidelines**

**NASDAQ DEFINITION OF “INDEPENDENT DIRECTOR”**

The Board of Directors has adopted Corporate Governance Guidelines that contain director qualifications including director independence. No director will be considered “independent” unless the Board affirmatively determines that the director has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. [NASDAQ Listing Standard 4200(15)] When making “independence” determinations, the Board will consider all relevant facts and circumstances, as well as any other facts and considerations specified by NASDAQ, by law or by any rule or regulation of any regulatory body or self-regulatory body applicable to the Company. Notwithstanding the foregoing, under the current NASDAQ Listing Standards, the following relationships disqualify any director or nominee from being considered “independent”:

- (a) a director who is, or at any time during the last three years was, employed by the Company or by any parent or subsidiary of the Company;
- (b) a director who accepted or who has a Family Member who accepted any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during any period of 12 consecutive months within the 3 years preceding the determination of independence, other than the following:
  - (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;
  - (v) loans from a financial institution provided the loans (1) were made in the ordinary course of business, (2) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time or comparable transaction with the general public, (3) did not involve more than a normal degree of risk or other unfavorable factors, and (4) were not otherwise subject to the specific disclosure requirements of SEC Regulation S-K, Item 404;
  - (vi) payments from a financial institution in connection with the deposit of funds of the financial institution acting in an agency capacity, provided such payment were (1) made in the ordinary course of business; (2) made on substantially the same terms as those prevailing at the time for comparable transactions with the general public; and (3) not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404; or
  - (vii) loans permitted under Section 13(k) of the Securities Exchange Act of 1934.

- (c) a director who is a Family Member of an individual who is, or at time during the past 3 years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer;
- (d) a director who is, or has a Family Member who 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 the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
  - (i) payments arising solely from investments in the Company's securities, or
  - (ii) payments under non-discretionary charitable contribution matching programs;
- (e) a director of the listed company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the listed company serve on the compensation committee of such other entity; or
- (f) a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

For purposes of these standards "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in the such person's home.

In addition to these standards, members of certain committees of the Board, such as the Audit Committee, are subject to heightened standards of independence under various rules and regulations.