

## **Governance Principles**

The mission of the Board of Directors of Terra Nova Financial Group, Inc. (“TNFG”) is to be a strategic asset to the Company, both collectively and as individual directors (“Director(s)”), measured by the contribution it makes to the long-term success of the Company and the creation of stockholder value.

The following Principles have been approved by the Board to emphasize its strong commitment to good corporate governance practices. Along with the charters of the Board committees, these Principles are designed to provide the framework for the governance of TNFG and to assist the Board in the performance of its duties and the exercise of its responsibilities. The Board recognizes that the issues involved in corporate governance are dynamic and iterative and it will review these Principles and other aspects of TNFG governance not less than every three years or more often if deemed necessary.

These Principles, as well as the charters of the Board Committees, the Company’s Bylaws and its Code of Business Conduct and Ethics, are all published on TNFG’s corporate website and are available in print to any stockholder who requests them.

### **1. Role of Board and Management**

The business and affairs of TNFG are conducted and managed by its employees, officers and chief executive officer (CEO) under the direction and oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board is elected by and accountable to the stockholders to oversee management, to provide strategic direction and to assure that the long-term interests of the stockholders are being served. In carrying out its responsibilities, the Board will exercise sound, informed, and independent business judgment. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing and adhering to good corporate governance principles. The Board also recognizes that to do so requires individual preparation by each Director and group deliberation by the Board, and that the Board’s responsibilities include both decision-making and oversight.

### **2. Functions of Board**

The Board schedules a minimum of four meetings a year, held quarterly, at which it reviews and discusses presentations by management on the performance of the Company, progress towards its goals, its strategic plans and prospects, as well as immediate issues confronting TNFG. The Board also holds additional informational sessions each year called periodically by the CEO as required to update the Board on important operational and other material events. Except in extenuating circumstances, Directors are expected to attend all scheduled meetings of the Board and of committees on which they serve.

As a part of its oversight responsibilities, among other things, the Board monitors:

- the performance of the Company;
- the performance and effectiveness of the CEO and Management ;
- the selection, evaluation, development and compensation of senior management;
- the Company’s compliance with legal requirements and ethical standards;
- the Company’s financial reporting and disclosure processes and internal controls; and

- the Company's processes for maintaining the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with partners, working interest owners, land and mineral owners and suppliers.

In addition to its general oversight of management, the Board also performs a number of specific decision making functions, including, among other things:

- reviewing, approving and monitoring the Company's mission, strategies, objectives and policies as developed by Management;
- selecting the CEO;
- evaluating the CEO and overseeing CEO succession planning;
- selecting nominees for Board membership;
- approving material investments or divestitures, strategic transactions, and other significant transactions that are not in the ordinary course of the Company's business;
- reviewing, approving and monitoring fundamental financial and business strategies;
- assessing major risks facing the Company and reviewing options for their mitigation; and
- evaluating the performance of the Board and Committees of the Board.

### **3. Qualifications**

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. They also should be intelligent, inquisitive, independent and objective in thought, have practical wisdom and mature judgment and a willingness to gain an understanding of TNFG, its competitive position in its industry and its business strategy. TNFG endeavors to have a Board representing diverse experience at policy-making levels with a complimentary mix of skills and experience in areas relevant to the Company's global activities.

Among other things, the Board expects each Director to:

- understand TNFG's businesses and the marketplaces in which they operate;
- review the materials provided in advance of meetings and any other materials provided to the Board from time to time, and to take the time and effort to be fully informed on the materials and issues presented;
- strive for a collegial atmosphere showing mutual respect for all Directors and opinions;
- actively, objectively and constructively participate in meetings and the strategic decision-making processes;
- share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its committees;
- make decisions based on his/her honest, independent opinion of merit and the best long-term interest of TNFG; and
- be available when requested to advise the CEO and Management on specific issues not requiring the attention of the full Board, but where an individual Director's insights might be helpful to the CEO or Management.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serving on the Board for an extended period of time. The Company values the experience Directors bring from other boards on which they might serve and other activities in which they participate, but recognizes that those boards and activities may also present demands on a Director's time and availability that may present conflicts or legal issues, including

independence issues. Directors should advise the chairperson of the Nominating and Corporate Governance Committee and the CEO before accepting membership on other boards of directors or any Audit Committee or other significant committee assignment on any other board of directors; or before establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the Director's relationship to the Company.

The Board believes that individuals should limit the number of boards of publicly traded, for-profit corporations on which they serve in order to give proper attention to their responsibility to each board. As a general policy, the Board believes that Directors should limit their service to not more than three boards of publicly traded companies in addition to that of the Company, but exceptions to this policy may be made in appropriate cases. Where a Director seeks to serve on more than three such boards, s/he should seek and obtain approval of the Nominating and Corporate Governance Committee for that service. At its discretion, the Nominating and Corporate Governance Committee may refer the approval to the full Board.

Members of TNFG's Audit Committee who seek to serve on the Audit Committee of another public company where that service will result in more than two other public company Audit Committee memberships simultaneously, should seek and obtain a determination from the Company's Board in advance of accepting such service, that such service will not impair the ability of such Director to effectively serve on TNFG's Audit Committee.

All memberships on other boards by the CEO will be considered and decided by the full Board based upon the Nominating and Corporate Governance Committee's recommendation. As a general rule, the Board will discourage the CEO from serving on more than two boards in addition to the Board of the Company.

Regardless of whether Nominating and Corporate Governance Committee or Board approval is required for service on other boards, a Director seeking to serve on another board should notify the Nominating and Corporate Governance Committee, the CEO and the Director of Corporate Governance in advance of accepting such service, and should defer final acceptance of such a position until advised by the CEO or outside counsel that such service does not present legal or other serious problems for TNFG. The Director of Corporate Governance will be expected to coordinate resolution (if possible) or communication of any legal or business issues as expeditiously as possible.

The Board does not believe that arbitrary term limits on Directors' service are appropriate, nor does it believe that Directors should expect to be renominated annually until they reach the mandatory retirement age. The Board self-evaluation process will be an important determinant for Board tenure.

Unless the Board affirmatively determines otherwise, any member of Management who is a Director will retire from the Board at the same time he or she retires from active service with the Company, and will resign from the Board at the same time he or she ceases employment with the Company for any reason.

If an outside Director's principal position, status or employment should substantially change, the Director shall submit his or her resignation to the Chairman. The Nominating and Corporate Governance Committee shall decide whether to accept the resignation.

#### **4. Independence of Directors**

While the Board recognizes that Directors who do not meet the independence standards of The Nasdaq Stock Market ("Nasdaq") also make valuable contributions to the Board and to the Company by reason of their experience and wisdom, it is the Board's goal that at least a majority of the Directors will be independent under Nasdaq rules.

The full Board will make affirmative determinations of the independence of each Director. Such determinations shall be made using independence standards mirroring exactly the criteria specified by Nasdaq and the standards and processes approved and adopted from time to time by the full Board. Such determinations, as well as the standards and processes applied in making them, will be disclosed to stockholders.

The Company will not make any personal loans or extensions of credit to Directors or executive officers. No Director or family member of any director may provide personal services for compensation to the Company.

## **5. Size of Board and Selection Process**

All of the Directors are elected each year by the stockholders at the annual meeting of stockholders in accordance with the Corporation's Bylaws and Articles of Incorporation.

Nominees for Director will be selected on the basis of their integrity, experience, achievements, judgment, intelligence, personal character, ability to make independent analytical inquiries, willingness to devote adequate time to Board duties, and likelihood that s/he will be able to serve on the Board for a sustained period. In connection with the selection of nominees for Director, due consideration will be given to the Board's overall balance of diversity of perspectives, backgrounds and experiences. The Nominating and Corporate Governance Committee will consider any suggestions offered by other Directors or stockholders with respect to potential Directors. Stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the names and supporting information in accordance with the Company's Bylaws to:

**Secretary, Terra Nova Financial Group, Inc.  
100 South Wacker Drive, Suite 1550 Chicago, IL 60606.**

The Board proposes a slate of nominees to the stockholders for election to the Board. The Board also determines the number of Directors on the Board provided that there are at least three. Between annual stockholder meetings, in the event of a vacancy on the Board, the Board may elect Directors to serve until the next annual meeting.

The Board as a whole will be responsible for nominating individuals for election to the Board by the Stockholders, and for filling vacancies on the Board that may occur between annual meetings of the Stockholders. The Nominating and Corporate Governance Committee will be responsible for identifying, screening, and recommending candidates to the entire Board.

## **6. Board Committees**

The Board currently has three standing Committees - Audit Committee, Compensation and Management Development Committee, and Nominating and Corporate Governance Committee. The Board may, from time to time, expand the number of standing committees or form ad hoc committees. Each of the Audit, Compensation and Management Development, and Nominating and Corporate Governance Committees will be composed entirely of Independent Directors, and will have a written charter that complies with the requirements of Nasdaq. The current charters of these committees will be published on the TNFG website, and will be mailed to stockholders on written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The committees normally hold meetings in conjunction with the full Board.

The membership and chairs of the standing committees may be rotated from time to time to allow Directors to serve on various committees over time and to promote continuity of membership and leadership on each committee. The Nominating and Corporate Governance Committee will provide recommendations to the Board regarding the size, membership, chairs and rotation of committees. The Chairman and CEO may participate in any committee meeting except when such participation would

present a conflict of interest or, in the case of a Chairman who is also the CEO, when the meeting is a non-management executive session of the committee or Board.

## **7. Meetings of Non-Employee Directors**

To ensure free and open discussion and communication among the non-employee Directors, these Directors shall meet in executive session at least twice a year with no members of management present. The non-employee Directors may meet without management present at such other times as determined by the Lead Director, or as requested by any non-employee Director. The Lead Director, who is also chairperson of the Nominating and Corporate Governance Committee, shall preside at the executive sessions, unless the non-management Directors determine otherwise. These executive sessions shall also constitute meetings of the Nominating and Corporate Governance Committee, with any non-management Directors who are not members of such Committee attending by invitation.

## **8. Self-Evaluation**

The Board conducts an annual self-evaluation to assess its effectiveness. The self-evaluation is conducted on the basis of criteria developed by the Nominating and Corporate Governance Committee and approved by the Board. Each of the Board's committees also conducts an annual self-evaluation. Additionally, the ability of individual Directors to contribute to the Board is assessed in connection with the evaluations and the renomination process.

## **9. Setting Board Agenda**

The Chairman of the Board, CEO (if not the Chairman), the Lead Director and Secretary establish the agenda for each Board meeting, taking into account suggestions of other Directors. Directors are encouraged to suggest the inclusion of agenda items or revisions to meeting materials; the Chairman is expected from time to time to ask Directors for their suggestions on these items. Each Director is free to raise at any Board meetings items that are not on the agenda for that meeting.

Proposed agendas and materials for meetings are generally delivered well in advance of each Board and Committee meeting. In certain cases, due to the sensitive nature of a matter, presentations are provided only at the Board or Committee meeting. Directors are expected to review and devote appropriate time to studying Board materials. In addition, the CEO periodically distributes to all Board members items of topical interest relating to TNFG, its operating environment, and the markets that it serves.

## **10. Ethics and Conflicts of Interest**

TNFG's Board has adopted a Code of Business Conduct and Ethics applicable to Directors, executive officers and all TNFG employees. The Board expects TNFG Directors, as well as officers and employees, to act ethically at all times and to acknowledge annually their adherence to the policies comprising the Company's Code of Business Conduct and Ethics, which is posted on the Company's website. The General Counsel's office and the Audit Committee oversee implementation and compliance with the Code. If a continuing conflict of interest involving a Director exists and cannot be resolved, the Director should resign. All Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving a Director, the CEO or an executive officer, and the CEO and Director of Corporate Governance shall resolve any conflict of interest issue involving any other officer of the Company.

## **11. Reporting of Concerns to Non-Employee Directors or the Audit Committee**

Anyone who has a concern about TNFG's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Company's Director of Corporate Governance, Lead Director, or to the Audit Committee. Such communications may

be confidential or anonymous, and may be e-mailed, submitted in writing, or reported by phone to special addresses and a phone number that is published on the Company's website. All such concerns will be forwarded to the appropriate Directors for their review, and will be simultaneously reviewed and addressed by TNFG's Director of Corporate Governance in the same way that other concerns are addressed by the Company. The status of all outstanding concerns will be reported to the Board on a quarterly basis. The Board or the Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company is prohibited from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

TNFG will publish on its website and in its proxy statement a mailing address and an e-mail address for communications with the non-management Directors as a group. In addition, TNFG will publish on its website and in its proxy statement a procedure for communicating with the Audit Committee regarding accounting, internal accounting controls or auditing matters.

## **12. Compensation of Board**

The Compensation Committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee Directors. In discharging this duty, the Committee shall be guided by three goals: alignment of the long-term interests of stockholders with the Directors' interests and compensation; fairly paying Directors for work required in a company of TNFG's size and scope; and making the structure of the compensation simple, transparent and easy for stockholders to understand. The Committee shall annually review non-employee Director compensation and benefits.

## **13. Succession Plan**

The Board shall approve and maintain a succession plan for the CEO and certain senior executives. To assist the Board, the CEO will annually provide the Board with an assessment of senior officers and of their potential to succeed him or her. The CEO will also provide the Board with an assessment of persons considered potential successors to certain senior officers.

## **14. Annual Compensation Review of Senior Management**

The non-employee Directors, in a session chaired by the Lead Director, will undertake a formal evaluation of the CEO annually. The evaluation should be based on objective criteria including but not limited to the performance of TNFG's businesses and the accomplishment of long-term and strategic objectives. The Chairman of the Nominating and Corporate Governance Committee shall be responsible for reviewing the evaluation with the CEO. The Compensation Committee will then consider the CEO's performance as determined in the evaluation before setting the CEO's salary, bonus and other incentive and equity compensation. The Compensation and Management Development Committee shall also annually approve the compensation structure for the Company's officers, and shall consider the performance of the Company's executive officers before approving their salary, bonus and other incentive and equity compensation.

## **15. Access to Senior Management**

Directors have complete and open access to the Company's management. In addition, the Company's executive officers routinely attend Board and Committee meetings. The Board encourages its executive officers to bring other officers and managers into Board or Committee meetings or other scheduled events from time to time to provide additional insight into matters being considered or to expose the Board to individuals with high potential for significant leadership roles in the Company. Additionally, Directors may from time to time meet individually with members of management. Non-employee Directors are encouraged to contact senior managers of the Company without executive officers or the

CEO present. Board members use judgment to be sure that this contact is not distracting to the business operation of the Company. Such contact, if in writing, is copied to the CEO.

## **16. Access to Independent Advisors**

The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

## **17. Director Orientation**

The Director of Corporate Governance and Corporate Secretary's office shall be responsible for providing an orientation for new Directors, and for periodically providing materials or briefing sessions for all Directors on subjects that would assist them in discharging their duties. Each new Director shall, within six months of election to the Board, spend time at corporate headquarters for personal briefing by the executive officers and CEO on the Company's strategic plans, its financial statements, and its key policies and practices. New Directors also receive a comprehensive package of orientation materials.

## **18. Continuing Education**

Directors are encouraged to take advantage of continuing education opportunities that will enhance their ability to fulfill their responsibilities. To facilitate this participation, TNFG will endeavor to make the Directors aware of Director education programs and will pay the expenses of any Director attending approved Director education programs. In addition, Directors are expected to keep informed about TNFG and its activities and the industry conditions affecting broker/dealer companies generally.

## **19. Stock Ownership**

The Board believes that it is important to align the interests of Directors with those of the stockholders and for Directors to hold equity ownership positions in the Company that are meaningful in their individual circumstances. Directors are required to own TNFG Common Stock having a value of at least three times their annual retainer. Included in this total are common stock and restricted common stock, but not stock options. Each Director is given three years from the date of initial appointment or election to reach this ownership level. The Nominating and Corporate Governance Committee shall adopt and periodically review a policy with respect to minimum share ownership requirements for Directors. Additionally, the Board believes that a significant portion of Directors' compensation should be made available to them in stock, stock options or other forms of compensation that correlate with the market value of the Company.

## **20. Evaluation of Corporate Governance Principles**

The Nominating and Corporate Governance Committee will review TNFG's Corporate Governance Principles from time to time as developments or circumstances make review of particular Principles appropriate. The entire Corporate Governance Principles will be reviewed by the Committee not less frequently than every three years. The Committee will report to the full Board for its consideration and adoption any recommendations for additions or amendments to the Principles, as well as the process and results of the full review of the Principles conducted every three years.

## **21. Confidentiality**

The proceedings and deliberations of the Board and its committees shall be confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director.

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