

Security Benefit Corporation
Board of Directors
Guidelines on Corporate Governance
As Adopted on December 2, 2003
Last Amended December 4, 2007

I. Introduction

The Board of Directors (“Board”) of Security Benefit Corporation (the “Corporation” or “SBC”), acting on the recommendation of its Human Resources, Nominating and Governance Committee, has developed and adopted a set of Guidelines on Corporate Governance (the “Guidelines”) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. *(amended 12/06/05)*

II. Membership Criteria

Subject to the provisions of these Guidelines, the Human Resources, Nominating and Governance Committee is responsible for reviewing with the Board periodically the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of judgment, diversity, professional accomplishments, integrity, experience and skills (such as understanding of economics, marketing, finance, accounting, regulation and law, investments, real estate, technology and public policy), commitment to the Corporation’s core values and mission – all in the context of an assessment of the perceived needs of the Board at that point in time. It is expected that Board candidates will, at a minimum, have at least 5 years experience managing the profit and loss of a major division or line of business and a baccalaureate degree from an accredited university. Exceptions to these requirements would be made on a case-by-case basis. *(amended 12/6/05; 12/04/07)*

III. Duties and Responsibilities

In general, the Board represents the stakeholder’s interest in perpetuating a successful business and optimizing long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations. The Board is responsible for identifying and taking reasonable actions to help assure that the Corporation is managed in a way designed to achieve this result. Such actions shall include: *(amended 12/6/05)*

- A. Attending Board meetings and meetings of Board committees on which they serve and spending the time needed to properly discharge their responsibilities, including review of advance material for meetings as contemplated by IV.D.4 of these Guidelines. Directors are expected to attend at least 75% of Board and committee meetings annually, absent extenuating circumstances. *(amended 12/04/07)*
- B. Evaluating the performance of the Corporation, of its Chairman and of its Chief Executive Officer by: (1) overseeing the conduct of the Corporation's business to evaluate whether it is being effectively managed, including through regular meetings of the independent directors without the presence of management, (2) selecting, regularly evaluating, and planning for the succession of the Chairman and the CEO, including fixing the compensation of such individuals, and (3) ensuring that management has appropriate policies to guide them in discharging their responsibilities. *(amended 12/6/05; 12/04/07)*
- C. Evaluating the Chairman and the CEO at least annually. The Chair of the Human Resources, Nominating and Governance Committee will assure there is (1) discussion by the independent directors, together with all necessary information, regarding the evaluation of the Chairman and the CEO, and (2) communication of the results of the evaluation to the Chairman and the CEO.

The evaluation should be based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives, and management development. Criteria should be developed by the Human Resources, Nominating and Governance Committee in consultation with the Chairman and the CEO and approved by the Board. The evaluation will be used by the Human Resources, Nominating and Governance Committee in the course of its deliberations when considering the compensation of the Chairman and the CEO. *(amended 12/04/07)*

- D. Reviewing the annual succession planning/leadership talent report from the CEO, including the position of CEO and all senior officers.
- E. Reviewing the Corporation's strategic plans and objectives, including the principal risk exposures of the Corporation, and verifying that they have a clear and appropriate purpose and direction.
- F. Providing advice and counsel to the Chairman and the CEO and other senior management of the Corporation, including reviewing transactions as appropriate and when recommended by management.

- G. Assisting management in the oversight of compliance by the Corporation with applicable laws and regulations.
- H. Overseeing management of risks to its financial and other resources through the maintenance of appropriate accounting, financial and other controls. *(amended 12/6/05)*
- I. Electing members of Board committees and overseeing any required or appropriate committees of the Board established for purposes of executing any delegated responsibilities from the Board.
- J. Determining the form and amount of compensation for directors, taking into account their responsibilities as such and as members of any committee of the Board.
- K. Evaluating the overall effectiveness of the Board as well as selecting and recommending to stockholders for election an appropriate slate of candidates for the Board.

In discharging their responsibilities, directors must exercise their business judgment to act in a manner that they believe in good faith is in the best interests of the Corporation and its stockholders.

Directors shall be entitled to require that the Corporation purchase reasonable liability insurance on their behalf and to accord them the benefits of indemnification and exculpation to the fullest extent permitted by applicable law and the Corporation's Articles of Incorporation and Bylaws.

IV. Structure and Operation of the Board

- A. Size, Qualifications and Composition *(amended 12/6/05)*
 - 1. Size of the Board – It is the sense of the Board that a size of not less than 5 nor more than 15 directors is most favorable. The Board would be willing to change its size in order to accommodate the demands of the business.
 - 2. Advisory Directors - Under the Corporation's Bylaws, the Board has the authority to appoint advisory directors who do not have authority to vote and who are not elected by the stockholders. The terms "director" and "Board member" as used in these Guidelines shall refer to elected directors unless otherwise specified.

3. Mix of Non-Independent and Independent Directors – The Board believes that as a matter of policy, the composition of the Board should include the CEO and the Chairman. All other directors should be independent, with the exception of former CEO’s and Chairmen of the Corporation who are otherwise eligible to continue to serve on the Board following their retirement or resignation from the Corporation. The definition of “independent” shall be as set forth in the rules of the New York Stock Exchange (“NYSE”), as may from time to time be amended. *(amended 12/6/05)*
4. Selection of New Director Candidates – The Board should be responsible for selecting its own members and recommending them for election by the stockholders. The Board should also be responsible for the selection and appointment of advisory directors. The Board delegates the screening process involved to the Human Resources, Nominating and Governance Committee in collaboration with the Chairman and the CEO. An invitation to join the Board shall be extended by the Board itself through the Chairman and the CEO, together with the chair of the Human Resources, Nominating and Governance Committee, when deemed appropriate. *(amended 12/6/05)*
5. Qualifications for Continued Board Service – The following qualifications are to be considered in determining whether an individual director should continue to be a director if in mid-term or should be renominated to be a director upon the expiration of his or her term:
(amended 12/6/05; 12/04/07)
 - (i) If the director is one of the Corporation’s “independent” directors, as that term is used in IV.A.3. of these Guidelines, and he or she no longer qualifies as an “independent” director;
 - (ii) If there is a change in the director’s principal business activity or the director accepts a Directorship (as defined in IV.A.7), in either case which adversely affects the director’s continuing ability to contribute to the Corporation;
 - (iii) If the director consistently fails to attend functions of the Board, including Board meetings, committee meetings and Board development activities, as contemplated by III. of these Guidelines *(amended 12/04/07)*
 - (iv) If the director fails to abide by the Code of Business Conduct and Ethics or Conflicts of Interest Guidelines applicable to the directors; *(amended 12/04/07)*

- (v) If the director fails to comply with these Guidelines;
- (vi) If the director fails to conduct his or her personal or business affairs in compliance with applicable laws, regulations and ethical standards;
- (vii) If the director is under indictment: or *(added 12/04/07)*
- (viii) If the director is no longer able to fulfill the duties of a director of the Corporation. *(amended 12/04/07)*

Respecting (vii), a director who is under indictment shall promptly submit a letter of resignation to the Chairman, the CEO and the chair of the Human Resources, Nominating and Governance Committee. The acceptance or rejection of the letter of resignation shall be based on the determinations described in the next paragraph.

The Human Resources, Nominating and Governance Committee shall first make the determination whether an individual director remains qualified to serve on the Board or, if the director's term is expiring, to be renominated to the Board. Thereafter, if a director is determined by such Committee not to meet the qualifications, the matter shall be referred to the full Board with the affected director being excused from the meeting at which the matter will be considered. If the director is determined by the full Board not to meet the qualifications to remain on the Board and the director's term is not expiring, the Board's determination will be communicated by the Chairman to the affected director and the director shall resign from the Board and the board of Security Benefit Mutual Holding Company ("SBMHC"). Failure to meet the qualifications and to resign under such circumstances shall be deemed to be "cause" as used in Section 2.12 of the Bylaws of the Corporation, and the Board shall recommend to the stockholders of the Corporation the removal of the director in accordance with Section 2.12. *(amended 12/6/05; 12/04/07)*

6. Directors Who Change Their Principal Business Activity – Individual directors, including advisory directors, who change their principal business activity or employment status should promptly give written notice of the change to the Chairman, the CEO and the chair of the Human Resources, Nominating and Governance Committee. At that time, the Human Resources, Nominating and Governance Committee, in consultation with the Chairman and CEO, will assess the

appropriateness of continued service by the director in accordance with IV.A.5 of these Guidelines. *(amended 12/6/05; 12/04/07)*

7. Directors Who Desire to Accept a Board Position with Another Company – Individual directors, including advisory directors, who desire to accept a directorship or, in the case of a business entity other than a corporation, a comparable position with a corporation or other business entity (“Directorship”) should give written notice to the Chairman, the CEO and the chair of the Human Resources, Nominating and Governance Committee in advance of such acceptance.

The Human Resources, Nominating and Governance Committee, in consultation with the Chairman and the CEO, and after considering any conflict of interest, antitrust or other matters deemed appropriate, will assess the appropriateness of the acceptance of such Directorship by the director in accordance with IV.A.5 of these Guidelines, and the Chairman will advise the director of the results of such assessment. If the determination is that the director should not accept the Directorship while continuing to serve as a director of the Corporation, the director shall inform the chair of the Human Resources, Nominating and Governance Committee whether he/she nevertheless intends to accept the Directorship prior to doing so. *(amended 12/6/05; 12/04/07)*

8. Term Limits – The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole.
9. Retirement Age – Directors, including advisory directors, shall retire when they no longer meet the criteria for Board membership or at the conclusion of the term which they are serving at the time of their 70th birthday, whichever shall occur earlier; provided, however, that with respect to directors who were serving on the date these Guidelines were first adopted and who were also then serving as directors of “SBMHC”, “term” as used in this paragraph shall refer to the term of service on the board of SBMHC, if the term of service on the SBMHC board then has a greater number of years remaining than the term of service on the Board of the Corporation. Except as set forth in the proviso in the previous sentence, directors are expected to retire as directors of SBMHC at the time of their retirement from the Board of the Corporation. *(amended 6/7/05; 12/6/05)*

10. Return of Corporation Records – Upon retirement, resignation, or other termination of a director’s relationship with the Corporation, the director shall promptly return to the Secretary of the Corporation all materials and all copies of materials containing or evidencing the Corporation’s Confidential Information, as that term is defined from time to time in the Corporation’s Code of Business Conduct and Ethics. *(added 12/04/07)*

B. Offices of Chairman and CEO

The Board has no policy respecting the need to separate the offices of Chairman of the Board and CEO. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Corporation to make a determination whenever it elects a new CEO or the Chairman retires/resigns.

C. Lead Director

1. An independent director may assume the lead role concerning an issue before the Board, with the consent of the full Board. If the Board decides to designate a Lead Director on a particular issue, the director so designated shall perform the following functions: (i) be available to the CEO for consultation on such issue and in general be a resource to the CEO on such issue; (ii) initiate discussions of such issue with other independent directors as discussed in D.7. of these Guidelines; (iii) refer and defer to appropriate Board committee chairs all matters affecting such issue within the scope of such committees’ charters; (iv) be a key communicator, along with committee chairs, between the directors and the CEO on such issue (however, it should be clear that the CEO is responsible directly to the Board in its entirety and individual Board members have the prerogative of communicating directly with the CEO and the reverse); and, (v) be available to independent directors for discussion of such issue. *(amended 12/6/05; 12/04/07)*
2. In the event of the incapacitation of the Chairman or CEO, the chair of the Human Resources, Nominating and Governance Committee shall contact the Corporate Secretary to call a meeting of directors pursuant to the Corporation’s Bylaws to consider what action is appropriate, including the possible election of an acting or new Chairman or CEO.

D. Board Meetings

1. Frequency – The Board shall meet at least 4 times a year. Additional meetings may be scheduled as necessary or appropriate in light of circumstances.
2. Selection of Agenda Items for Board Meetings – The Chairman and the CEO will establish the agenda for each Board meeting. Each director is free to suggest the inclusion of items on an agenda. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. At least one Board meeting each year will, among other things, be for the purpose of reviewing: (i) long-term strategic plans and the principal issues that the Corporation and its subsidiaries will face in the future, (ii) strategic objectives, (iii) business and financial performance for the prior year, including a review of the achievement of strategic objectives, and (iv) the Corporation’s compliance with applicable law. *(amended 12/04/07)*
3. Regular Attendance of Non-Directors at Board Meetings – The CEO may invite officers, other associates, advisors to the Corporation, and others as the CEO deems appropriate to attend Board meetings.
4. Board Materials Distributed in Advance – It is the sense of the Board that information and data that are important to the Board’s understanding of the business be distributed in writing to the Board before the Board meets. The officers will make every attempt to see that this material is as brief as possible while still providing the desired information. It is recognized that circumstances will arise when it is not feasible to provide such material in advance, or much in advance, of a Board meeting. In such event, reasonable steps shall be taken (including increasing the length of Board meetings) to permit the directors to become reasonably informed as to the matter before voting on it.
5. Presentations – Whenever possible, presentations on specific subjects should be sent to the Board in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. *(amended 12/04/07)*
6. Minutes – The Corporate Secretary of the Corporation shall be responsible for the minutes of all meetings of the Board, its committees, and stockholders. In the absence or incapacity of the Secretary, the Chairman may designate an Assistant Secretary, a director, a member of the Security Benefit Law Department or outside counsel to record the

minutes of meetings of the Board or stockholders. With respect to any matter, a director voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Corporate Secretary shall do so. *(amended 12/6/05; 12/04/07)*

7. Executive Sessions of Independent Directors – The independent directors will periodically meet in executive session (“Executive Session”) in connection with regularly scheduled Board meetings and at such other times as they deem necessary. The independent directors may appoint a chair of the session from among their members. In the event issues are raised during any such session which should be communicated to the Chairman and the CEO, the chair of the session will make such communication. Inside directors and members of management do not attend these sessions. Any matter may be discussed during an Executive Session, but Board action cannot be taken during such sessions. Board committees that are composed of both inside and independent directors may have Executive Sessions at which inside directors are not present on a basis similar to Executive Sessions of the Board.

Minutes need not be taken at Executive Sessions of the Board or of Board committees which are composed of both inside and independent directors. If minutes are taken, they should not be kept with or included in the minutes of the Board or Board committee. If a committee is composed solely of independent directors and management personnel are asked to leave, whether minutes need to be taken depends on whether the committee meeting is adjourned. If management is asked to leave, but the meeting is not adjourned, then minutes need to be taken and are part of the official minutes of the committee. If the committee meeting is adjourned and independent directors meet in Executive Session without management, minutes need not be taken, but, if taken, should not be kept with or included in the minutes of the meeting. If minutes are taken during an Executive Session, the acting chair of the session should designate an acting secretary for the session. *(amended 12/6/05; 12/04/07)*

E. Access to Management

Board members have complete access to the Corporation’s officers and counsel. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Corporation and that such contact, if in writing, be copied to the CEO.

Furthermore, the Board encourages the CEO to, from time to time, bring managers into Board meetings who: (1) can provide additional insight into the items being discussed because of personal involvement in these areas and (2) are managers with future potential whom the senior officers believe should be given exposure to the Board. *(amended 12/6/05; 12/04/07)*

F. Access to Outside Counsel and Other Advisors

The Board and Board committees may retain outside counsel and financial or other advisors as they deem appropriate, without consulting with or obtaining the approval of any officer of the Corporation with respect to any issue relating to matters subject to their respective authority. *(amended 12/04/07)*

G. Board Interaction with the Press, Customers, etc.

The Board believes that the appropriate officers speak for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. It is expected that Board members would do this with the knowledge of the CEO and, absent unusual circumstances, only at the request of the CEO. In no event shall any director disclose any material non-public information concerning the Corporation. Questions about such information should be directed to the General Counsel. *(amended 12/6/05)*

H. Committees of the Board

1. Committee Structure – The Board has the following committees: Audit Committee; Human Resources, Nominating and Governance Committee; Risk Committee; and Executive Committee. The Board has the flexibility to form new committees or disband current committees. It is the policy of the Board that only independent directors serve on the Audit, Human Resources, Nominating and Governance, and Risk Committees. It is anticipated that all independent directors should be a member of at least one committee. Committee chairs shall serve on a committee in addition to the one that they chair only in cases where the Board believes they will have adequate time to properly handle both responsibilities. Ideally, at least a majority of the members of each committee should be independent directors. The Board shall have authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so, provided that the Corporation shall at all times have an Audit Committee, a Human Resources, Nominating and Governance Committee and an Executive Committee and such other

committees as may be required by applicable law. *(amended 12/6/05; 12/04/07)*

2. Written Charters – Each standing committee shall have a written charter, which shall be approved by the Board and state the purpose and responsibilities of such committee. Committee charters shall be reviewed periodically to reflect the activities of each of the respective committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be approved by the Board. Among other things, the charter shall indicate the frequency of committee meetings. *(amended 12/04/07)*
3. Assignment and Rotation of Members – The Human Resources, Nominating and Governance Committee shall recommend to the Board the members and chairs of the Board committees, taking into account the desires of individual Board members and the suggestions of the Chairman and the CEO. The Board elects committee members and designates committee chairs, except that the Chairman shall always be the chair of the Executive Committee.

It is the sense of the Board that consideration should be given to periodically rotating committee chairs and members. The Board does not feel that committee members' rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual director's committee membership for a longer period or to shorten the period. The learning time to become an active contributor on a particular committee is a factor. *(amended 12/04/07)*

4. Agendas – In consultation with its members and the appropriate corporate officers, the chair of each committee will develop the committee's agenda and frequency and length of meetings consistent with its charter. The schedule for each committee will be furnished to all directors.

Directors, including advisory directors, may attend any Board committee meetings where subjects of particular interest to them are being discussed. It is expected, however, directors would consult with the chair of the committee before attending. *(amended 12/04/07)*

- I. Compensation of Directors and Advisory Directors

An appropriate officer will report periodically to the Human Resources, Nominating and Governance Committee the status of the Corporation's Board compensation in relation to other, similar U.S. companies.

Changes in Board compensation, if any, should come at the recommendation of the Human Resources, Nominating and Governance Committee, but any such changes require the approval of the full Board. *(amended 12/04/07)*

J. Director Orientation and Continuing Education

New directors, including advisory directors, shall participate in an orientation program, which shall generally be conducted promptly after the meeting at which new directors are elected. The agenda for the orientation program shall be determined by the Chairman, in consultation with the CEO. The orientation program shall address the Corporation's strategic plans, significant risk exposures, compliance programs (including its Code of Business Conduct and Ethics) and may include presentations by the Corporation's senior management, internal auditors and independent auditors. All directors, including advisory directors, shall be invited to attend each orientation program. The Board shall encourage directors to participate in continuing education programs, and the Corporation shall pay the reasonable expenses of attendance by a director at one such program per year. *(amended 12/6/05; 12/04/07)*

K. Annual Assessment of the Board's Performance

The Human Resources, Nominating and Governance Committee is responsible for arranging and overseeing an annual assessment of the Board's performance. This will be discussed with the full Board at a regular meeting of the Board each fiscal year. This assessment should cover the Board's and each Board committee's contribution as a whole and specifically review areas in which the Board or the Chairman, in consultation with the CEO, believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members.

Subject to IV.A.5 of these Guidelines, any issue of unsatisfactory conduct or inadequate performance by a director, including an advisory director, shall be brought to the attention of the chair of the Human Resources, Nominating and Governance Committee. At that time, an evaluation of the situation will be made by the chair with appropriate input from other directors and the evaluation shall be communicated to the affected director regarding his/her status on the Board consistent with IV.A.5 of the Guidelines. *(amended 12/6/05; 12/04/07)*

V. Revisions of these Guidelines

The Human Resources, Nominating and Governance Committee shall re-evaluate these Guidelines periodically and recommend to the Board such revisions as it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.