

PEERLESS SYSTEMS CORPORATION CORPORATE GOVERNANCE GUIDELINES

I. Introduction

The Board of Directors (the “Board”) of Peerless Systems Corporation (the “Company”) has adopted a set of corporate governance 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.

II. Composition of the Board of Directors

- **Size**

The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully, while allowing for a diversity of perspectives and backgrounds. In recent years, the Board has ranged in size from four to five members. The quality, experience and balance of perspectives on the Board are more important than achieving a specific size target, and these considerations may lead to a Board outside this range.

- **Independence**

A substantial majority of the Board shall consist of directors who are neither officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the rules of the Nasdaq National Market. Except during periods of transition, or in other unusual circumstances, the Board would not expect to have more than one or two employee directors.

- **Candidates for Board Membership**

The Board as a whole is responsible for selecting nominees for the Board. The Nominating and Corporate Governance Committee is responsible for screening and recommending candidates. In fulfilling this role, the committee may, without obligation, receive input from the CEO. Factors to be considered by the Nominating and Corporate Governance Committee in recommending candidates for Board membership include, but are not limited to:

- the candidate’s ability and willingness to commit adequate time to Board and committee matters.
- the fit of the candidate’s skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;

- the candidate’s personal and professional integrity, ethics and values;
 - the candidate’s experience in corporate management, such as serving as an officer or former officer of a publicly held company;
 - the candidate’s experience in the Company’s industry and with relevant social policy concerns;
 - the candidate’s experience as a board member of another publicly held company;
 - whether the candidate would be “independent” under applicable standards;
 - whether the candidate has practical and mature business judgment; and
 - the candidate’s academic expertise in an area of the Company’s operations.
- **Leadership**

The Board believes it is important to select its Chairman and the Company’s CEO in the manner it considers in the best interests of the Company at any given point in time. Accordingly, these positions may be filled by one individual or by two different individuals.

- **Conflicts of Interest**

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Chairman of the Board. Any significant conflict must be resolved or the director should resign. If a director has a personal interest in a matter before the Board, the director will disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

- **Annual Self-Evaluation**

The Nominating and Corporate Governance Committee will periodically oversee an assessment by the Board of the Board’s performance. The Nominating and Corporate Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for such evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board’s compliance with the principles set forth in these Guidelines. The

purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual Board member. The Nominating and Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

III. Orientation and Continuing Education

Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management will present additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile.

IV. Director Compensation

The Board establishes director compensation. The Nominating and Corporate Governance Committee, with the assistance of the Company's staff and outside consultants, periodically reviews the amount and composition of director compensation and makes recommendations to the Board as needed. Director compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

V. Board Meetings

- **Frequency**

The Board currently has four regularly scheduled meetings each year. Further meetings may be held (or action may be taken by unanimous consent) at the discretion of the Board. Directors are generally expected to attend all meetings of the Board in person, if at all possible.

- **Agenda**

The Chairman is responsible for preparing an agenda for each Board meeting. Any director may suggest items for inclusion on the agenda. Management will seek to provide to all directors an agenda and appropriate materials several days in advance of meetings, wherever possible. The Board expects that meeting agendas will include on a regular basis a review of the Company's financial performance, strategies and risk profile.

- **Access to Employees**

The Board expects that senior officers of the Company will regularly attend Board and Committee meetings, present proposals and otherwise assist in the work of the Board. Members of the Board have direct access to any of the Company's employees.

All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

- **Executive Sessions**

To ensure free and open discussion and communication among the independent directors of the Board, executive sessions will be held in conjunction with the regularly scheduled meetings of the Board, at which only independent directors are present. The person nominated by the independent directors will serve as the presiding director at each such executive session.

VI. Board Committees

- **Number and Duties of Board Committees**

At present, the Company has established the following Board Committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. The Board may, from time to time, establish other committees to assist it in carrying out its duties. The duties of each standing committee of the Board will be spelled out in a committee charter, which shall periodically be reviewed and approved by the Board.

- **Composition and Leadership of Board Committees**

The Nominating and Corporate Governance Committee provides recommendations to the Board on the composition and leadership of each of the committees except the Nominating and Corporate Governance Committee. The membership and chairperson of the Nominating and Corporate Governance Committee are to be recommended to the Board periodically by the chairpersons of each of the other standing Board committees, the CEO and such other directors as the Board may designate from time to time.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

The chairpersons of each of the Board Committees are elected by the Board, with the chairpersonship to be rotated as indicated in each committee's charter.

- **Independence of Certain Board Committees**

Each of the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee shall be composed of directors who are not officers or employees of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the rules of the Nasdaq National Market. A director may serve on more than one committee for which he or she qualifies.

- **Committee Self-Evaluations**

Each committee will periodically review its performance and charter and recommend to the Board any changes it deems necessary.

VII. Management Succession

At least annually, the CEO addresses succession planning with the Compensation Committee and, together with the chairperson of that committee, reviews with the Board a succession plan addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

VIII. Evaluation and Compensation of Senior Officers

A major responsibility of the Board is to monitor the performance of the CEO, and in consultation with the CEO, the performance of other key executive officers. The Compensation Committee conducts an annual performance review of executives and reports its findings to the Board.

- **Evaluation and Approval of CEO Compensation**

The Compensation Committee evaluates the performance of the CEO and the Company against the Company’s goals and objectives, and determines and approves the compensation, including short and long-term incentives, of the CEO.

- **Evaluation and Approval of Management Compensation**

The Compensation Committee reviews and approves the compensation, including short and long-term incentives, of all other “officers” of the Company as defined in Section 16 of the Securities Exchange Act of 1934, as amended, and Rule 16a-1 promulgated thereunder.

IX. Expectations of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Delaware law. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

- **Commitment and Attendance**

All directors should make every effort to attend in person the meetings of the Board, in addition to the organizational meeting held in conjunction with the Company's annual stockholders' meeting, as well as the associated meetings of committees of which they are members; provided, however, that members may attend such meetings by telephone or video conference if necessary to mitigate conflicts.

- **Participation in Meetings**

Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive at meetings prepared to discuss the issues presented.

- **Loyalty and Ethics**

In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director.

- **Other Directorships**

The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts of interest or legal issues. Directors should advise the chair of the Nominating and Corporate Governance Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

- **Communications**

Management speaks for the Company. Stockholders may communicate with the Company's non-management Board members by written mail addressed to the Chairman of the Nominating and Corporate Governance Committee, care of Corporate Secretary, Peerless Systems Corporation, 2381 Rosecrans Avenue, El Segundo, CA 90245. The Corporate Secretary will forward all communications to the Chairman of the Nominating and Corporate Governance Committee. Inquiries from the media, employees and others should be referred to the CEO or other appropriate officers of the Company. Individual directors may from time to time meet with various constituencies of the Company, but the Board expects that this would be done only with its concurrence or that of management.

- **Confidentiality**

The proceedings and deliberations (as well as any materials provided in connection therewith) of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.