



CORPORATE GOVERNANCE GUIDELINES
for
IOWA TELECOMMUNICATIONS SERVICES, INC.

1. **Purpose of Guidelines.** The following guidelines have been approved by the Board of Directors (“the “Board”) of Iowa Telecommunications Services, Inc. (the “Company”) to provide, along with the charters and key practices of the board committees, the framework for the governance of the Company.
2. **Role of Board of Directors and Management.** The Board of the Company is elected by the Company’s stockholders to oversee the actions of management and to assure that the long-term interests of the Company’s stockholders are being served. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties, including employees, customers, suppliers, government officials and the public at large.
3. **Board Functions.** The Board reviews and discusses reports by management on the performance of the Company, the Company’s plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled board and committee meetings. In addition to its general oversight of management, the Board is also responsible for assuring that:
 - there is continuity of leadership;
 - management develops sound business strategies;
 - adequate capital and managerial resources are available to implement the business strategies adopted;
 - the Company’s system of financial and internal controls are adequate;
 - the Company’s business is conducted in conformity with applicable laws and regulations; and
 - the assets of the Company are utilized most effectively and capital expenditures and appropriations are reviewed.
4. **Director Selection and Board and Committee Composition.** Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. The Board has responsibility for reviewing its membership on a regular basis to assure that it possesses appropriate skills and characteristics.



Membership Criteria. Directors should possess such attributes and experience as are necessary to provide a broad range of personal characteristics including diversity, management skills, and technological and business experience. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities.

Director Independence. For a period of ninety days following the effective date of a Registration Statement filed with the Securities and Exchange Commission (the “Registration Statement Effective Date”), at least one member of the Board will be an independent director, as independence is determined by the Board, based on the guidelines set forth below. Beginning one year after the Registration Statement Effective Date, a majority of the directors will be independent directors, as independence is determined by the Board, based on the guidelines set forth below. The number of independent directors on Board committees will be established by the charter for each committee adopted by the Board.

Directors who do not satisfy the Company’s independence guidelines also make valuable contributions to the Board and to the Company by reason of their experience and wisdom.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence, which conform to or are more exacting than the independence requirements in the New York Stock Exchange listing requirements (the “NYSE rules”). In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

The Board will make and publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter for all nominees for election as directors. If the Board determines that a director who satisfies the NYSE rules is independent even though he or she does not satisfy all of the Company’s independence guidelines, this determination will be disclosed and explained in the next proxy statement.

In accordance with the NYSE rules, determinations made prior to November 4,



2004 under the guidelines in section (a) below will be based upon a director's relationships with the Company during the 12 months preceding the determination. Determinations made on or after November 4, 2004 under the guidelines in section (a) below will be based upon relationships during the 36 months preceding the determination. Similarly, determinations made prior to November 4, 2004 under the guidelines in section (b) below will be based upon the extent of commercial relationships during the last completed fiscal year; thereafter, such determinations will be based upon the extent of commercial relationships during the three completed fiscal years preceding the determination.

- (a) The Board will not determine a director to be independent if:
- (i) the director is employed by the Company, or an immediate family member is an executive officer of the Company;
 - (ii) the director receives any direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
 - (iii) an immediate family member who is a Company executive receives more than \$100,000 per year in direct compensation from the Company;
 - (iv) the director is affiliated with or employed by the Company's independent auditor, or an immediate family member is affiliated with or employed in a professional capacity by the Company's independent auditor; or
 - (v) a Company executive is on the compensation committee of the board of directors of a company which employs the Company director or an immediate family member as an executive officer.
- (b) The Board will not determine a director to be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with the Company and the sales by that company to Company or purchases by that company from Company, in any single fiscal year during the evaluation period, are more than the

greater of one percent of the annual revenues of that company or \$1 million.

- (c) The Board will not determine a director to be independent if, at the time of the independence determination, the director is an executive officer or employee, or an immediate family member is an executive officer, of another company which is indebted to Company, or to which Company is indebted, and the total amount of either company's indebtedness to the other at the end of the last completed fiscal year is more than one percent of the other company's total consolidated assets.
- (d) The Board will not determine a director to be independent if, at the time of the independence determination, the director serves as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization are more than one percent of that organization's total annual charitable receipts during its last completed fiscal year.

Size of the Board. The Company's Articles of Incorporation, as amended and restated, provide that the Board shall consist of seven persons and shall be divided into three classes, with each class of directors as nearly equal in number of directors as possible. At least two directors are elected each year by the stockholders at the annual meeting of stockholders. Stockholders may propose nominees for consideration by the Nominating and Governance Committee by submitting the names and supporting information to: Secretary, Iowa Telecommunications Services, Inc., 115 S. Second Avenue West, Newton, Iowa 50208. 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 is at least one. Between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.

Board Committees. The Board has established the following committees to assist the Board in discharging its responsibilities: (i) Audit Committee; (ii) Compensation Committee; and (iii) Nominating and Governance Committee. The current charters and key practices of these committees are published on the Company's 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 occasionally hold meetings in conjunction with the full Board.

Board Committee Independence. In addition to the requirement that one member or a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy an additional NYSE



independence requirement. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company other than their directors' compensation.

Private Sessions of Outside Directors. The Board will have regularly scheduled meetings for the non-employee directors without management present. The directors have determined that the chairman of the Compensation Committee will preside at such meetings, and will serve as the Chairman in performing such other functions as the Board may direct with respect to such meetings, including advising management on the agenda for Board meetings. The non-employee directors may meet without management present at such other times as determined by the Chairman.

Board Self Assessment. The Board and each of the committees will perform an annual self-evaluation. Each November, the directors will be requested to provide their assessments of the effectiveness of the Board and the committees on which they serve. The individual assessments will be discussed with the Board and the committees in December.

Setting Board Agenda. The Chairman of the Board shall be responsible for establishing the Board agenda for each Board meeting. Agenda items include those items required for necessary corporate governance and operational oversight such as strategic plans and budgets. All directors are encouraged to make suggestions for agenda items.

Conflicts of Interest. The Board expects the Company's directors, as well as the Company's officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's codes of conduct and ethics. No non-employee director may provide personal services for compensation to the Company, other than in connection with serving as a Company director. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chairman. If a significant conflict 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 the CEO, a Board member, a vice chairman or a vice president, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

Board Compensation. The Nominating and Governance Committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee directors. In discharging this duty, the Committee shall review the level of the Company's director compensation in relation to director



compensation of companies of comparable size, industry and complexity.

Succession Plan. The Board shall approve and maintain a succession plan for the CEO and senior executives, based upon recommendations from the Compensation Committee.

Term Limits; Retirement Age. The Board has not established term limits. The Board believes long-term experienced directors provide continuity of leadership, perspective and understanding of the complex businesses of the Company. However, no director shall stand for reelection after he or she has reached the age of seventy-three.

Director Orientation. The Board has established several channels for providing directors with information about the Company and their responsibilities as directors. New directors participate in a director orientation program. Each new director shall, preferably within six months of election to the Board, spend a day at corporate headquarters for personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies and practices. Directors are also provided opportunities for continuing education on subjects that would assist them in discharging their duties.

5. **Board Relationship to Senior Management and Access to Independent Advisors**

Annual Compensation Review of Senior Management. The Compensation Committee shall annually approve the goals and objectives for compensating the CEO. That committee shall evaluate the CEO's performance in light of these goals before setting the CEO's salary, bonus and other incentive and equity compensation. The Committee shall also annually approve the compensation structure for the Company's officers, and shall evaluate the performance of the Company's senior executive officers before approving their salary, bonus and other incentive and equity compensation.

Access to Senior Management. Non-employee directors are encouraged to contact senior managers of the company without senior corporate management present.

Access to Independent Advisors. The Board and its committees shall have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the Company shall provide appropriate funding, as determined by the Board or any committee, to compensate such independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.



6. **Board Relationship to Senior Management and Access to Independent Advisors Reporting of Concerns to the Audit Committee.** The Audit Committee and the non-employee directors have established the following procedures to enable anyone who has a concern about the Company's conduct, or any employee who has a complaint about the Company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the Chairman of the Audit Committee, to the Ethics Officer, or to the Company's outside counsel. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing or reported by phone. All such communications shall be promptly reviewed in the same way that other concerns are addressed by the Company. The status of all outstanding concerns will be reported to the Chairman and the chair of the Audit Committee on a quarterly basis. The Chairman or the Audit Committee chair may direct that certain matters be presented to the Audit Committee or the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company's Code of Business Conduct and Ethics for Directors, Officers and Employees prohibits any retaliation against any person who acts in good faith in raising or helping to resolve an integrity concern.



REPORTING CONTACTS:

Ethics Officer:

Donald G. Henry
Iowa Telecom
Vice-President and General Counsel
115 S. Second Avenue West
P.O. Box 1046
Newton, Iowa 50208-1046
Telephone: 641.787.2988
E-mail: dgh@iowatelecom.com

Audit Committee Contact:

Brian G. Hart
Hart Financial, LLC
President
400 E. Locust Street
Des Moines, IA 50309
Telephone: 515.453.9479
Fax: 515.453.9486
E-mail: brian@hartfinancialllc.com

Outside Counsel:

Steven J. Dickinson, Esq.
Fredrikson & Byron, P.A.
200 Valley West Drive, Suite 304
West Des Moines, Iowa 50266
Telephone: 515.224.6706
Fax: 515.225.2666
E-mail: sdickinson@fredlaw.com