



**ENABLE IPC CORPORATION**  
**Board of Directors Corporate Governance Guidelines**  
**March 17, 2005**

The Board of Directors of Enable IPC Corporation has established the following guidelines in an on-going effort to firmly establish its responsibilities, authority and accountability, and those of the committees it establishes.

**The Board of Directors**

**1. Size of the Board**

The Bylaws of the Corporation allow for no fewer than five and no more than nine Directors. If an exceptional candidate that has expertise that is needed and lacking on the Board becomes available, the Board will certainly be willing to increase its size to accommodate that person.

**2. Diversity**

Corporate Boards require a certain mixtures of experience and knowledge to properly execute their duties. The Board recognizes that, in our case, a unique blend of business, financial and technical experience is crucial to the successful operation and oversight of our Company.

However, while expertise in areas as wide-ranging as engineering and finance are crucial, certain other characteristics are universally required of every Board member, including:

- Integrity – our Board members must be reliable and upright;
- Honesty – our Board members must be truthful, above reproach and law-abiding;
- Good judgment – our Board members must have the ability to properly assess situations and react responsibly and appropriately; and
- Fair dealing – our Board members must deal appropriately with all, inside and outside of the organization, regardless of preexisting relationships, race, nationality or creed.

In addition, the Board recognizes the value of input from those with differing viewpoints brought on by different cultures, backgrounds and environments and will strive to find those who can contribute varying perspectives.

**3. Director Selection**

The Bylaws of the Corporation dictate the methodology of Board member candidate selection and the election of those candidates by the Shareholders. In nominating prospective new Board members, as well as incumbent Directors for re-election, the Board will take into account the criteria for Board selection:

- Strong experience in management, engineering or an area where the Board recognizes that expertise is needed and lacking;
- Independence as defined in this document;
- Diversity;
- Integrity, honesty, good judgment and fair dealing;
- Time commitment as described in this document; and
- No conflicts of interest

**4. Chairman and Lead Independent Director Selection**

The Board will elect a Chairman at each annual meeting who will serve until the following annual meeting. If the Chairman is not an independent Director as defined in this document, the Board may elect a Lead Independent Director, whose responsibilities will include governing executive sessions and committees that are solely made up of independent directors.



## **5. Majority of Independent Directors**

A majority of Directors must be independent. Our definition of “independence” is derived from that adopted (and slightly modified) by the Nasdaq, and means the Director:

- is currently not, and has not been employed by the Company in the last three years;
- has not accepted (and does not have a family member who has accepted) any payments from the Company in excess of \$10,000 during the current or any of the past three fiscal years, with certain exceptions;
- does not have a family member who is, or at any time during the past three years was, employed as an executive officer by the Company;
- is not (and does not have a family member who is) a partner, controlling shareholder, or executive officer of any organization to which the Company made or received payments for property or services, with certain exceptions, in the current or any of the past three fiscal years that exceed the greater of 5% of the recipient’s consolidated gross revenues for that year, or \$200,000;
- is not (and does not have a family member who is) a director or officer of a foundation, university or other non-profit entity which has received significant contributions from the Company;
- is not (and does not have a family member who is) an executive officer of another entity where at any time during the past three years any of the Company’s executive officers served on that entity’s compensation committee; and
- is not (and does not have 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.

At every annual meeting, the Board will determine whether each outside Director meets the definition of independence and will disclose its determination.

## **6. Term Limits**

Our Board has not established term limits but, instead, relies on the annual review of its selection and performance criteria described in this document to ensure that Board members continue to perform and act at an acceptable professional level.

## **7. Retirement Age**

The Board does not have a mandatory retirement age.

## **8. Conflicts of Interest**

Each Director is responsible to notify the Board of a potential conflict of interest. A Director with a situation where a conflict of interest exists will, as appropriate, not vote on an issue where that Director has an interest, eliminate the conflict of interest by ceasing the outside activity that is responsible for the conflict, or resign from the Board.

## **9. Delegation**

In accordance with the Bylaws of the Corporation, the Board has delegated the day-to-day operations of the business to the officers of the Corporation. The Board has the discretion to delegate other of its powers to the officers as it deems appropriate.

## **10. Performance Reviews**

The best performance review for the Board is given annually by the shareholders in its vote for the Director nominees. In assessing actual performance, the Board believes annual performance reviews can be conducted internally, based on the milestones met, goals reached and other criteria set up by the Board in previous meetings.

The performance of individual Directors will be assessed by the Board when a Director is being considered for re-nomination. The Board will choose the method and criteria for these assessments.



The Board, as described in this document, will actively seek the resignation of any Director and may move for that Director's removal, if that Director's performance does not meet the established performance criteria.

The Compensation Committee has the responsibility to establish goals and milestones for the officers of the Corporation, including the CEO, and assess their performance on an annual basis. Their compensation will be tied into their performance level.

### **11. Succession Planning**

On an annual basis, the CEO will report to the Compensation Committee on succession planning and potential successors to that office. The Compensation Committee will communicate those plans to the Board and ensure that such successor candidates are properly prepared and trained to take on the office once it becomes vacant.

### **12. Board Interaction with Investors, Press and Customers**

The Chairman and the CEO are responsible to interact with investors, press, customers and other interested parties. The Board has made a decision that the Company should present a united front, speaking with one mind to the public, through the Chairman and CEO only.

### **13. Compensation Philosophy**

The Board believes that only cash and equity compensation should be provided to Directors and that at least fifty percent of a Director's total compensation should be provided in equity (e.g., stock options, stock grants or other awards of stock or stock units) at a level determined annually by the Compensation Committee, which will make its determination after taking into account the Company's capital position and the Director compensation level of comparable companies.

The different components of Director compensation will be disclosed in the Company's annual proxy statement. The Compensation Committee will periodically review the principles for director compensation.

### **14. Stock Ownership**

It is the policy of the Board of Directors that each Director should beneficially own at least 15,000 shares of the Company's common stock, and that these shares should be purchased by the Director and not be acquired as part of that Director's compensation. Each Director must acquire these shares within three years of their election as a Director.

### **15. Continuing Education**

It is appropriate for Directors, at their discretion, to have access to educational programs related to their duties as Directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise. The Board will pre-approve these activities and the Company will reimburse those expenses.

### **16. Meetings**

Directors are expected to attend Board meetings and meetings of Committees on which they serve, and to spend the time needed as necessary to prepare for such meetings and to properly discharge their responsibilities. Directors are required to attend at least 75% of meetings or they may be removed from office.

The Bylaws of the Corporation require that Board meeting be held at least annually, and the Board may set additional meeting times and lengths throughout the year as they deem appropriate and situations warrant. Meeting agendas are established by the Chairman.

As appropriate, non-directors may attend meetings at the invitation of the Chairman or other Directors, provided there is no confidential or proprietary information discussed at the meeting when the non-director is present. The CEO, CFO, COO and Secretary of the Corporation will attend each meeting unless specifically excluded by the Chairman.



## **17. Director Access**

Directors have complete, unhindered access to auditors, management and Company advisors. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO, the Secretary or personally by the Director.

## **Committees**

### **18. Number of Committees**

Currently there are three Committees: Audit, Compensation, and Technical Advisory.

### **19. Assignment of Committee Members**

The Board appoints members of the Committees on an annual basis, in accordance with the following guidelines:

#### Audit Committee

Only independent directors may serve on the audit committee and its Chairman must have accounting and/or financial management experience. The Audit Committee, as described by the SEC under the Sarbanes Oxley Act, is responsible to:

- oversee auditor engagement and pre-approve services (the auditors report to the Audit Committee)
- receive reports from the auditors and report back to the Board
- provide procedures to retrieve, retain and treat complaints (i.e., protect whistle-blowers)

#### Compensation Committee

Only independent directors may serve on the Compensation Committee. It is preferable, but not required, that its Chairman have accounting, financial management and/or human resource experience. The Compensation Committee is responsible to oversee executive compensation and equity and incentive-based compensation plans.

#### Technical Advisory Committee

The Technical Advisory Committee was established to aid in the direction, performance, productivity and efficiency of the Company's research, development and other technical activities. While it is overseen by a Director with technical expertise, it may have non-directors as members to advise the Company engineers and technologists. Each committee will abide by written charters developed and approved by the Board of Directors and made available to shareholders. These charters may be changed from time to time as appropriate.

### **20. Committee Meetings and Agendas**

Committees will schedule meetings as appropriate. Scheduling, agenda items and lengths for each meeting will be prepared by the Committee Chair.

### **21. Executive Sessions**

Executive sessions of independent Directors will occur at each regularly scheduled Board meeting. Independent Directors may hold additional executive sessions from time to time, with or without the Chief Executive Officer and Chairman of the Board present, as desired.

## **Amendment and Interpretation**

These Guidelines are meant to supplement, not replace, any federal, or state law, securities law or ruling, or the Company's Bylaws, which override anything written here. These guidelines are governed by the State of California and are subject to change from time to time by the Board of Directors.

***Adopted by the Board of Directors of Enable IPC Corporation on March 17, 2005***