



## **GUIDELINES**

### **CORPORATE GOVERNANCE**

#### **OVERVIEW – THE ROLE OF THE BOARD OF DIRECTORS:**

The paramount duty of the Board of Directors of Avocent Corporation (the “Company”) is to effectively govern the affairs of the Company for the benefit of its shareholders and, to the extent appropriate under applicable law, other constituencies, including the Company’s employees, customers, suppliers, and the communities in which it does business. The Board strives to ensure the success and continuity of the Company’s business through the election of qualified management. It is also responsible for ensuring that the Company’s activities are, at all times, and conducted with the highest standards of responsibility and ethics.

Directors bring to the Company a wide range of experience, knowledge, and judgment, and bring these skills to bear for the Company. These varied skills mean that good governance depends on far more than a "check the box" approach to standards or procedure. The governance structure in the Company is designed to be a working structure for principled actions, effective decision-making, and appropriate monitoring of both compliance and performance.

Effective directors maintain an attitude of constructive skepticism and careful review. Each director should feel free to ask probing questions of management and to take the action necessary to get accurate and honest answers. Directors should also be able to seek, and to rely on, the advice, reports, and opinions of management, counsel, and expert advisers. In doing so, the Board should constantly evaluate the qualifications of those it relies upon for information and advice and examine the process used by management and advisers in reaching their recommendations.

Finally, the Board should keep up to date on best governance practices. Working together with management and the Company’s advisers, the Board should look to the knowledge and information of others in the governance debate for additional information on how to manage Avocent’s affairs. Given the recent efforts by the various securities exchanges as well as the Securities and Exchange Commission (the “SEC”) to promote better governance, Avocent intends to continually monitor its governance procedures and policies, including reviewing whether there are alternatives or new ideas that would strengthen its governance structures.

#### **DIRECTOR QUALIFICATIONS:**

The Board shall have a majority of directors who meet the criteria for independence established by the Securities and Exchange Commission (“SEC”) and NASDAQ. The Lead Independent Director, in conjunction with the Nominating and Governance Committee, will

interview all director candidates and make recommendations to the Nominating and Governance Committee, and Directors will be nominated by the Nominating and Governance Committee of the Board, in accordance with the charter and principles of that Committee. The Lead Independent Director and the Nominating and Governance Committee are responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, skills, and experience in such areas as operations, sales, technology, finance, marketing, and manufacturing and the general needs of the Board. The Board, through the Chairman of the Nominating and Governance Committee and the Chairman of the Board, should extend the actual invitation to join the Board.

The Board currently has eight (8) members. The Board reviews from time to time the appropriateness of its size. The Board would consider expanding its size to accommodate outstanding candidates.

The Board, through its Lead Independent Director and the Nominating and Governance Committee, will have the opportunity to review the appropriateness of the continued service of directors who change the position or responsibility that they held when they were elected to the Board.

Board members must ensure that other existing and anticipated future commitments do not materially interfere with their service as a director or affect their independence under SEC or NASDAQ rules. Generally, the Board recommends that no director serve on more than two additional public company Boards and no more than four private company Boards while serving on the Avocent Board although the Nominating and Governance Committee has broad latitude to approve additional board positions outside these guidelines based on consideration of the time availability of the requesting Board member. In any event, Board members must notify the Chairman of the Board of Directors or the Lead Independent Director (with, in either case, a copy to the Company's General Counsel) prior to accepting additional board positions.

The Board believes that term limits are on balance not the best way to maximize the effectiveness of the Board. While term limits would likely introduce fresh perspectives and make new viewpoints available to the Board, they may have the countervailing effect of causing the loss of the benefit gained from the contributions of directors who have developed, over time, increasing insight into the Company. As an alternative to term limits, the Lead Independent Director and the Nominating and Governance Committee will review the appropriateness of each Board member's continued service every three years.

## **DIRECTOR RESPONSIBILITIES:**

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In fulfilling this responsibility, the directors should be able to rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial, and other advisors. The

directors should have the benefit of directors' and officers' insurance, paid by the Company, to indemnification to the fullest extent allowed under the Company's charter and Delaware law, and to exculpation as provided by Delaware law and the Company's charter.

Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable Committee meetings, and to spend the time needed and meet as often as necessary to properly discharge their obligations. Information and data that is important to the Board's understanding of the business to be conducted at a Board or Committee meeting should generally be distributed in writing to the directors prior to the meeting, so that Board or Committee meeting time may be conserved and discussion time focused on questions that the Board or Committee has about the materials. Particularly sensitive subject matters may be discussed at the meeting without advance distribution of written materials.

The Chairman of the Board, in consultation with the Lead Independent Director and the Company's Chief Executive Officer, will establish the agenda for each Board meeting and the Secretary will distribute it in advance to the Board. At the beginning of each year, the Chairman will, to the extent foreseeable and practicable, set a schedule of agenda items to be discussed during the year. Each Board member is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting. In addition, the Lead Independent Director may specifically require the inclusion of any item on the agenda for a Board meeting. The Board will review the Company's long-term strategic plans and the big-picture challenges faced by the Company in executing on these plans during at least one Board meeting per year.

The Board's policy is to have regularly scheduled executive sessions of the independent directors. It is contemplated that such executive sessions will occur at least twice a year, and perhaps more frequently, in conjunction with regularly scheduled Board meetings. A Lead Independent Director will be selected by the independent directors and will assume the responsibility of chairing the regularly scheduled meetings of independent directors and bear such further responsibilities that the independent directors as a whole might designate from time to time. The identity of the Lead Independent Director will be disclosed in the Company's annual Proxy Statement.

The Board believes that management speaks for the Company. Individual Board members may occasionally meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with the knowledge of management and, in most instances, absent unusual circumstances or as contemplated by the Committee charters, at the request of management.

## **BOARD COMMITTEES:**

An Audit Committee, a Compensation Committee, and a Nominating and Governance Committee of the Board shall exist at all times. All of the members of these Committees will meet the criteria for independence established by the SEC and NASDAQ. The members of these

Committees will also meet the other membership criteria specified in the respective charters for these Committees. Committee members will be appointed by the Board upon recommendation by the Lead Independent Director and by the Nominating and Governance Committee of the Board in accordance with the charter and principles of that Committee. There will, from time to time, be occasions on which the Board may want to rotate Committee members, but the Board does not believe that a formal policy of rotation is mandated.

Each Committee shall have its own charter. The charter will set forth the principles, policies, objectives, and responsibilities of the Committees in addition to the qualifications for Committee membership, procedures for Committee member nomination and removal, Committee organization and functioning and how the Committee will communicate with the Board. The charters will provide that each Committee will meet to review its performance at least once a year.

The Chairman of each Committee will, in consultation with the appropriate Committee members and members of management, and in accordance with the Committee's charter, determine the frequency and length of Committee meetings and develop the Committee's agenda for these meetings.

The Board and each Committee shall have the authority to obtain, at Company expense, advice, reports, or opinions from internal and external counsel and expert advisors and shall have the power to hire independent legal, financial, and other advisors as they may deem necessary, without consulting with, or obtaining approval from, any officer of the Company in advance. The Board may, from time to time, form new Committees or ad hoc Subcommittees as it deems appropriate.

#### **DIRECTOR ACCESS TO OFFICERS AND EMPLOYEES:**

The Board has complete access to all Company officers and employees. Any meetings or contacts that a director desires to initiate may be arranged directly by the director or through the CEO or other Company officer. The directors should use their judgment to ensure that any such contacts or communications are not disruptive to the business operations of the Company.

The Board welcomes the input of senior officers at each Board meeting. The Board encourages management to schedule managers to make presentations at Board meetings who (a) can provide additional insight into the items being discussed because of personal involvement in these areas or (b) have future potential that management believes should be given exposure to the Board.

#### **DIRECTOR COMPENSATION:**

The form and amount of director compensation will be determined by the Board upon the recommendation of the Compensation Committee in accordance with the policies, principles, and criteria set forth in its charter. It is appropriate for the staff of the Company to report from time to time to the Compensation Committee on the status of Board compensation in relation to other

comparable U.S. companies. The Compensation Committee will conduct an annual review of director compensation.

#### **CEO EVALUATION:**

The Lead Independent Director and the Compensation Committee will conduct an annual review of the CEO's performance in accordance with the charter and principles of that Committee. The Board will review the Committee's report to ensure that the current CEO is providing the best leadership for the Company, from a short, intermediate, and long-term perspective.

#### **BOARD EVALUATION:**

The Lead Independent Director and the Nominating and Governance Committee will conduct an annual Board evaluation process in accordance with the charter and principles of that Committee. The Nominating and Governance Committee will then report back to the Board, and the full Board will consider and discuss the Committee's report.

#### **MANAGEMENT SUCCESSION:**

The Lead Independent Director and the Nominating and Governance Committee will conduct an annual review on succession planning in accordance with the charter and principles of that Committee. The Committee should report its recommendation to the Board. The entire Board, along with the Committee, will nominate and evaluate potential successors to the CEO. The CEO should make available his or her recommendation for potential successors, together with the reasons for such recommendation and any suggested strategy or development plans for that person.

#### **DIRECTOR ORIENTATION:**

The Company should ensure that new directors receive a thorough orientation about the Company. The orientation will include access to prior Board meeting materials and agenda, as well as presentations from management that review the Company's business strategies, its financial and accounting systems and risk management controls, its code of business conduct and methods and compliance programs, and its internal and independent auditors. The orientation should include an introduction to the Company's senior management and visits to corporate headquarters and, to the extent practicable, significant facilities.

#### **RESPONSIBILITIES OF MANAGEMENT:**

The Company is committed to attaining the appropriate balance between the Board of Directors and executive management as it pursues its corporate goals. Throughout the Company's history a number of guidelines have been adopted to relate to various areas of operations (for

example, an investment policy was adopted to regulate the types of investments permitted for cash and investments). Except as specifically provided in this document, no changes are intended to such guidelines previously established.

The purpose of this document is to establish the general expectations of management from the Board of Directors and to set forth the limits of authority to be exercised by management without specific approval from the Board of Directors.

The Chief Executive Officer is responsible for insuring that management meets its responsibilities to the stockholders and Board of Directors. This responsibility extends not only to the day-to-day operations of the Company (finance, operations, marketing and sales, engineering, etc.) but also to the specific responsibilities outlined below.

- Annually prepare for review and obtain approval by the Board of Directors of a strategic plan outlining the fundamental business direction of the Company. At a minimum, the plan will include an in-depth, three-year strategic view of technology and product direction, business development, and potential technology or corporate acquisitions candidates and alternatives.
- Annually prepare for review and obtain approval by the Board of Directors of a one year financial plan that includes information with respect to targeted revenue, by product or customer groups as well as geography, expenses and appropriate balance sheet data (inventories, receivables, capital requirements, etc.). The plan also should include a summary of the major objectives the Company expects to achieve during the current year integrated, to the extent appropriate, with the financial plan.
- Annually prepare for review and obtain approval of the Compensation Committee of the Board of Directors of a general compensation plan for the Company as well as specific plans for officer compensation to include base cash compensation, bonus plans, and proposed option or share grants. The plan for option or share grants may, upon agreement, be submitted at a different time from the plan for cash and bonus compensation.
- Provide to the Board of Directors on a quarterly basis a list of major objectives to be accomplished during the current quarter.

After such plans are approved by the Board of Directors or appropriate committees, the Chief Executive Officer is responsible for insuring that appropriate information is provided to the Board of Directors at regular intervals, but no less than quarterly, to enable the Board of Directors to monitor progress against the plans.

## **LIMITATIONS ON EXECUTIVE AUTHORITY:**

Generally, the intention of the Board of Directors is to delegate to executive management responsibility for operations of the Company, subject to review and oversight by the Board of Directors. Accordingly, the Chief Executive Officer, acting either individually or through his designees, has authority to make and implement such decisions as are appropriate to the operation of Avocent Corporation. Such authority extends to all areas of the Company's operations such as employment, contracts, commitments, purchases, sales, etc. However, the Board of Directors believes that certain major decisions should require its approval as set forth below:

- Material capital commitments—defined as any single purchase or series of related purchases of capital equipment, software, leases, or real estate commitments, etc. where the amount involved exceeds or could be reasonably expected to exceed the capital budget by more than \$500,000.00.
- Consulting agreements outside the normal course of business where the amount to be committed exceeds \$100,000.
- Major changes in employee benefit policies.
- Any reduction in force involving more than 10% of the Company's present workforce.
- Mergers, significant acquisitions, long-term investments, or joint ventures where the amount involved exceeds \$2,000,000. This also would include the extension of registration rights in the Company's stock to any party.
- Any repurchases of capital stock or corporate debt, other than at normal maturity.
- Material dispositions of corporate assets, other than in the normal course of business.
- All related party transactions, including investments in, loans to, or loan guaranties for, officers or directors (or their affiliates).
- Selecting or replacing independent accountants (to be done by the Audit Committee after consulting with management).
- Employment or removal of executive officers.
- Investment of the Company's surplus funds other than in accordance with the Company's Investment Policy.