



# Board Guidelines

As developed and recommended by the Governance and Nominating Committee and approved by the Board of Directors of Applied Micro Circuits Corporation

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## **Governance Guidelines of the Board of Directors**

Following the recommendation of the Governance and Nominating Committee, the Board of Directors of Applied Micro Circuits Corporation has adopted these governance guidelines to assist it in observing corporate processes that best serve the interests of the company and its shareholders. These Board Guidelines are intended to serve as a flexible framework within which the Board may conduct its business, not as a set of legally binding obligations. They should be interpreted in the context of all applicable laws and AMCC's Certificate of Incorporation, Bylaws, and other governing legal documents. Unless otherwise noted, all references in the Board Guidelines to "directors" or "Board" indicate all members of the Board of Directors of AMCC, including all employee directors.

## **Mission of Applied Micro Circuits Corporation**

AMCC will provide state-of-the-art products to our customers that will extend their competitive leadership, optimize their time to market, reduce their R&D expense, and help them become more cost-competitive equipment suppliers. The members of the Board are responsible to AMCC stockholders and to the applicable public authorities for overseeing that AMCC management executes its mission in a manner that enhances stockholder value with the highest ethical standards and social responsibility.

In fulfilling its responsibilities, the Board either directly or through its committees performs the following principal functions:

- Establishing programs intended to ensure legal and ethical conduct of the Board, officers, employees and other agents.
- Selecting, aiding, evaluating, compensating and, when necessary, replacing the Chief Executive Officer and other senior executives.
- Assessing major risks facing AMCC and evaluating alternatives to mitigate those risks.
- Approving strategic business plans, including financial objectives and budgets.
- Providing general oversight of AMCC activities, including monitoring management's performance against plans.
- Evaluating and improving Board processes and performance.
- Selecting directors.
- Setting the compensation of non-employee directors.

These activities are performed in cooperation with the Chief Executive Officer, who is a member of the Board.

## **Legal and Ethical Conduct**

The entire Board is responsible for establishing programs intended to ensure that AMCC's activities are conducted in a legal and ethical manner. As part of fulfilling this duty, the Board delegates primary responsibility to the Governance and Nominating Committee. In fulfilling this responsibility to the Board, the Governance and Nominating Committee prepares and recommends a Code of Business Conduct and Ethics for adoption by the Board and monitors compliance with the Code approved by the Board.

## **The Chairman of the Board**

The office of Chairman of the Board shall be held by an independent director who shall be appointed by and serve at the pleasure of the independent directors as a group. The Chairman of the Board shall, as necessary or appropriate, as determined in his or her discretion:

- Advise the Chief Executive Officer as to an appropriate schedule of Board meetings, seeking to ensure that the directors can perform their duties responsibly while not interfering with the flow of AMCC's operations.
- Provide the Chief Executive Officer with input as to the preparation of agendas for the Board meetings. If the Chairman of the Board insists on an item being included on the agenda for a Board meeting, it shall be included.
- Advise the Chief Executive Officer as to the quality, quantity, and timeliness of the flow of information from AMCC's management that is necessary for the independent directors to effectively and responsibly perform their duties, and although AMCC's management is responsible for the preparation of materials for the Board, the Chairman of the Board may specifically require the inclusion of certain material.
- Recommend to the Chief Executive Officer the retention of consultants, as necessary, who report directly to the Board.
- Assist the Governance and Nominating Committee and AMCC's officers in assuring compliance with and implementation of the corporate governance guidelines and by recommending revisions to the corporate governance guidelines.
- Coordinate, develop the agenda for, and moderate executive sessions of the Board's independent directors, and act as a liaison between the independent directors and the Chief Executive Officer on sensitive issues.
- Coordinate the independent directors' annual evaluations of the performance of the Chief Executive Officer and Chief Financial Officer and provide the evaluations to the Compensation Committee in connection with its annual evaluation of the officers' performance.

- Provide the chairman of the Governance and Nominating Committee with his or her recommendations as to the membership of the various Board committees, as well as selection of the committee chairmen.
- Spend appropriate time with the Chief Executive Officer and, with the Chief Executive Officer's knowledge, the major business units and other key executive officers to ensure understanding of their issues and needs and communicate observations to the independent directors.
- Retain such counsel or consultants as he or she deems necessary to perform his or her responsibilities.

## **The Chief Executive Officer and Other Executive Officers**

### ***ACTING AS A RESOURCE FOR MANAGEMENT***

The Board aids the Chief Executive Officer and other executive officers through advice, mentoring, and introductions. The Board members, however, do not manage the day-to-day operations of the company, which are the responsibility of the Chief Executive Officer and other executive officers.

### ***FORMAL EVALUATION OF THE CHIEF EXECUTIVE OFFICER***

The Compensation Committee makes an annual evaluation of the Chief Executive Officer. This evaluation is based on objective criteria intended to reflect the Chief Executive Officer's contributions to the overall performance of AMCC in meeting its mission. The criteria are agreed to in advance by the Compensation Committee and the Chief Executive Officer and include such items as:

- Financial performance of AMCC, and
- Qualitative performance of the Chief Executive Officer.

In evaluating the Chief Executive Officer's performance, the Compensation Committee evaluates only a few key factors – for example, vision and leadership, accomplishment of long-term strategic objectives, and development of management – each of which has a specified basis of measurement.

The Compensation Committee also solicits input of the independent members of the Board in connection with the establishment of the annual criteria and the annual evaluation of the Chief Executive Officer.

The results of this evaluation are communicated to the Chief Executive Officer by the Chairman of the Board. Results are used to identify strengths and areas needing improvement and to provide input to the Compensation Committee as a guide for its recommendations.

***REVIEW OF GOALS AND ACCOMPLISHMENTS OF OTHER EXECUTIVE OFFICERS***

The Chief Executive Officer reviews annually with the Compensation Committee the proposed and current goals of the other executive officers and the extent to which these managers have accomplished their previous goals.

***COMPENSATION OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE OFFICERS***

The Compensation Committee annually reviews the performance of the Chief Executive Officer. It also reviews the Chief Executive Officer's performance evaluations and compensation recommendations of the other executive officers. The Compensation Committee makes the final decisions on compensation, including incentive pay of the Chief Executive Officer and other executive officers.

***SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT***

The Chief Executive Officer makes an annual report to the Governance and Nominating Committee on succession planning and management development. This report includes specific recommendations on succession planning and related issues for executive officers as well as interim succession for the Chief Executive Officer in the event of an emergency.

***SERVICE ON OUTSIDE BOARDS***

The Chief Executive Officer and other executive officers obtain the approval of the Board prior to accepting an invitation to serve on the board of a public company or on the board of any private company that would represent a material commitment of time or conflict of interest.

The Chief Executive Officer and other executive officers do not serve on the board of a company for which an AMCC independent director serves as an officer.

The Chief Executive Officer is also subject to the requirements of "Board Processes and Performance – Service on Outside Boards" set forth in these Guidelines.

**Strategic and Business Plans**

The full Board reviews and approves the strategic and business plans, including financial objectives and budgets. No committee is granted exclusive responsibility for this subject.

**Oversight of AMCC Activities*****BOARD MEETINGS***

- ***Selection of agenda items for Board meetings.*** The Chief Executive Officer and the Chairman of the Board jointly establish the agenda for each Board meeting. Each director is encouraged to add to the agenda any matter that the director reasonably believes should be on the agenda.

The Chief Executive Officer, the chairmen of the Board's standing committees and the Chairman of the Board jointly prepare annually a list of topics to be on Board agendas throughout the year and the meetings at which they will be addressed. Such topics include an annual risk review prepared by management for assessment by the Board. The Chief Executive Officer and the Chairman of the Board also jointly ensure that in addition to financial reports, the agendas include critical non-financial measures related to the AMCC mission.

Special topics are placed on the Board agendas throughout the year as required. The Chief Executive Officer, the chairmen of the Board's standing committees and the Chairman of the Board meet as needed during the course of the year to discuss the Board agendas.

- ***Board materials distributed in advance.*** At least five working days prior to each Board meeting, the Chief Executive Officer distributes to each Board member a proposed agenda for the meeting, along with advance copies (to the fullest extent possible) of any written materials to be discussed. For convenience, the agenda and the materials are distributed again at the meeting along with any additional material that could not be sent in advance. In addition, the Chief Executive Officer regularly distributes to all Board members items of topical interest relating to AMCC, its operating environment, and the markets that it serves.
- ***Board minutes distributed promptly.*** The Secretary or his or her designee distributes draft minutes promptly to each Board member following the meeting.
- ***Regular attendance of non-director staff at Board meetings.*** AMCC's senior management make presentations to the Board on a regular basis. In addition, from time to time various other personnel may attend Board sessions and make presentations.
- ***Executive sessions of independent directors.*** Each Board meeting shall include an executive session of the independent Board members. The independent directors may also meet in executive session on other occasions. Any independent director who believes an executive session of independent directors is desirable on any subject can so indicate to the Chairman of the Board, and such a session will be held. The Chairman of the Board presides at executive sessions of the independent directors.

#### ***BOARD COMMITTEES***

- ***Number of committees.*** AMCC has three standing committees: Audit, Compensation and Governance and Nominating. With input from the Governance and Nominating Committee, the Board may create, discharge or revise the composition or mission of any committee at any time subject to compliance with applicable rules and regulations.
- ***Assignment and rotation of committee members.*** The Governance and Nominating Committee, after consultation with the Chief Executive Officer and the Chairman of the Board, and with consideration of the desires of individual Board members,



recommends committee assignments including the chairmanships to the full Board for approval no less often than annually.

Committee chairmanships usually are rotated every five years. Other committee members are rotated periodically as the Board, with input from the Governance and Nominating Committee, deems appropriate, although membership on a committee is normally limited to five years for one assignment. Exceptions to these guidelines are made as the Board, with input from the Governance and Nominating Committee, deems appropriate.

The Audit Committee, the Compensation Committee and the Governance and Nominating Committee consist only of independent directors.

- ***Committee agendas.*** The chairman of each committee in consultation with committee members prepares an annual schedule of all regularly recurring items to be considered by the committee. This forward committee agenda is shared with the Board as part of the Board's review of its Board agendas during the year. Special topics may be placed on the committee agendas throughout the year by the committee chairmen in consultation with other committee members, another director, or an executive officer who works closely with that committee.
- ***Frequency and length of committee meetings.*** The committee chairman in consultation with committee members sets the committee meeting calendar for the upcoming calendar year. Each committee reports to the Board at the first regular meeting of the Board following the committee meeting.
- ***Committee material distributed in advance.*** At least five working days prior to each committee meeting, the Chief Executive Officer distributes, at the committee chairman's direction, to each committee member a proposed agenda along with advance copies (to the fullest extent possible) of any written materials to be discussed. For convenience, the agenda and the materials are distributed again at the meeting along with any additional material that could not be sent in advance.
- ***Committee minutes distributed promptly.*** The Secretary or his or her designee distributes draft minutes promptly to each Committee member following the meeting.
- ***Executive sessions of independent directors.*** Each committee convenes as appropriate executive sessions of independent directors of the committee to discuss its operations and other related matters.

#### ***BOARD ACCESS TO AMCC EMPLOYEES***

Board members have complete access to AMCC employees at all times. Board members use judgment to be sure that this contact is not distracting to AMCC's operations. Such contact, if in writing, is copied to the Chief Executive Officer and, if not, is informally reported to the Chief Executive Officer if it involves a matter of substance. The Board delegates primary responsibility to the Governance and Nominating Committee to monitor the relationship between AMCC employees and the Board.

## **Board Processes and Performance**

### ***ASSESSING THE BOARD'S PERFORMANCE***

The Governance and Nominating Committee is responsible for ensuring that a process exists whereby the full Board periodically assesses its performance. The Governance and Nominating Committee reports the results of this process to the full Board. These results are discussed by the Board at first with the Chief Executive Officer in attendance, and then in an executive session of independent directors. This assessment is of the Board's contribution as a whole and reviews areas in which the Board and/or the management believes a better contribution could be made. The Governance and Nominating Committee is responsible for ensuring that a process exists whereby the current Board members are evaluated by the Board at the time they are considered for re-nomination.

### ***BOARD COMPENSATION AND EXPENSES***

The compensation of AMCC non-employee directors shall be set periodically by the full Board. The Governance and Nominating Committee shall make a recommendation on such compensation to the full Board prior to its approval.

Directors are reimbursed for reasonable out-of-pocket expenses incurred in performing their duties as directors. Directors can attend any major convention where AMCC exhibits, with expenses paid by AMCC, and are encouraged to attend or participate actively in at least one such convention each year.

### ***REQUIREMENT OF ATTENDANCE AT BOARD MEETINGS***

The Board has four regularly scheduled in-person meetings annually plus special meetings as required. Each Board member is expected to attend each Board meeting, preferably in person but in special circumstances via telephone conference.

### ***REQUIREMENT OF ATTENDANCE AT ANNUAL MEETINGS***

The directors will be invited and are expected to attend the annual meetings of AMCC's stockholders.

### ***CONFLICTS OF INTEREST***

A director's other relationships, including business or family relationships, may occasionally give rise to that director's material personal interest on a particular issue involving AMCC. The Governance and Nominating Committee, in accordance with the Code of Business Conduct and Ethics, conducts the initial investigation of a potential conflict and determines on a case-by-case basis whether a conflict of interest exists.

The Board takes appropriate steps to identify potential conflicts and to assure that all directors voting on an issue are disinterested with respect to that issue.

***SERVICE ON OUTSIDE BOARDS***

Every director discloses to the Governance and Nominating Committee the other boards of directors, both public and private, on which the director serves and promptly notifies the Governance and Nominating Committee any time the director accepts an invitation to serve on such a board of directors or ceases serving on such a board of directors.

Directors who also serve as chief executive officers or in equivalent positions should not serve on more than two boards of public companies in addition to the Board, and other directors should not serve on more than four other boards of public companies in addition to the Board. Current positions in excess of these limits may be maintained unless the Board, with input from the Governance and Nominating Committee, determines that doing so would impair the director's service on the Board.

***SECURITY HOLDER COMMUNICATIONS WITH THE BOARD***

Security holders wishing to communicate with the Board may send a written communication addressed to the Secretary at AMCC's principal executive offices. Communications also may be sent by e-mail to the following address [board@amcc.com](mailto:board@amcc.com). The Secretary will promptly forward the communication to the Board. The process regarding security holder communications with the Board will be posted on the AMCC website.

***DIRECTOR STOCK OWNERSHIP***

Commencing April 1, 2011 (or for any director first elected to the Board after April 1, 2008, the third anniversary of such director's initial election to the Board), each director shall be required to own not less than 6,000 shares<sup>1</sup> of AMCC Common Stock notwithstanding the provision in Section 3.3 of AMCC's Bylaws that states that directors need not be stockholders.

**Selecting Directors*****SIZE OF THE BOARD***

The number of directors that constitutes the Board is fixed from time to time in accordance with the Certificate of Incorporation and Bylaws of AMCC.

***MIX OF DIRECTORS***

It is the policy of the Board for two thirds of the Board to be comprised of independent directors.

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<sup>1</sup> Adjusted for 1-for-4 reverse stock split implemented in December 2007.

***FUNCTIONAL NEEDS AND QUALIFICATIONS OF DIRECTORS***

The principal qualities of an effective director include:

- the highest personal and professional integrity and values,
- an inquiring and independent mind,
- practical wisdom, and
- mature judgment.

In addition to these qualities, AMCC's functional needs and qualifications include:

- recognized achievement and reputation,
- an ability to contribute to some aspect of AMCC's activities, and
- the willingness to make the commitment of time and effort required of an AMCC director.

The goal is to include members with the skills and characteristics that taken together will assure a strong Board with experience and expertise in corporate governance.

The Governance and Nominating Committee is responsible for reviewing periodically with the Board, including the Chief Executive Officer, the appropriate skills and characteristics required of new Board members in the context of the current makeup of the Board.

The Governance and Nominating Committee is also responsible for evaluating and, when appropriate, recommending to the Board as to whether an incumbent director or candidate for election to the Board meets the criteria to qualify as an independent director under applicable rules.

***SELECTION OF NEW DIRECTOR CANDIDATES***

The Board delegates the screening process for new director candidates to the Governance and Nominating Committee with direct input from the Chief Executive Officer and the Chairman of the Board. Candidates may be recommended to the Governance and Nominating Committee by other directors, stockholders, employees, or other interested parties. After a review of Board candidates by the Governance and Nominating Committee with the aid of the Chief Executive Officer and the Chairman of the Board, the chairman of the Governance and Nominating Committee, the Chief Executive Officer and the Chairman of the Board interview each potential candidate designated by the Governance and Nominating Committee. These persons then review the results of the interviews with the full Governance and Nominating Committee, which may then select the candidate for nomination.

***STOCKHOLDER RECOMMENDATIONS OF DIRECTOR NOMINEES***

The Governance and Nominating Committee will consider director candidates recommended by AMCC stockholders. Stockholders who wish to recommend individuals for consideration by the Governance and Nominating Committee to become nominees for election to the Board at an annual meeting of stockholders may do so by delivering at least 120 days prior to the anniversary date of the mailing of AMCC's proxy statement for its last annual meeting of stockholders a written recommendation to the Governance and Nominating Committee c/o the Secretary at AMCC's principal executive offices. Each submission must set forth:

- the name and address of each AMCC stockholder on whose behalf the submission is made;
- the number of AMCC shares that are owned beneficially by such stockholder;
- the full name of the proposed candidate;
- a description of the proposed candidate's business experience for at least the previous five years;
- complete biographical information for the proposed candidate; and
- a description of the proposed candidate's qualifications as a director.

Each submission must be accompanied by the written consent of the proposed candidate to be named as a nominee and to serve as a director if elected.

***INVITING A NEW DIRECTOR TO JOIN THE BOARD***

The Chairman of the Board, along with any other Board member that the Chairman of the Board thinks would be helpful, extends the invitation to join the Board. The Chairman of the Board keeps the entire Board informed of the invitation and whether it has been accepted or declined.

***DIRECTORS WHO CHANGE THEIR PRESENT JOB STATUS***

Upon any principal occupation change, including retirement, non-employee directors submit a letter of resignation to the chairman of the Governance and Nominating Committee. The chairman of the Governance and Nominating Committee, in turn, advises the Committee of such resignation and the Committee – with the aid of the Chief Executive Officer and the Chairman of the Board – recommends to the full Board whether to accept the resignation of the director.

***TERM***

AMCC does not have a mandatory retirement age. The term of each director is one year. The Governance and Nominating Committee reviews each director's performance on the Board prior to the director's nomination for re-election to the Board.

***ORIENTATION OF NEW DIRECTORS***

The process of orientation for new directors, which is overseen by the Governance and Nominating Committee, is as follows:

- The Chief Executive Officer arranges for a new director to meet, on at least one occasion, with each of the Chief Executive Officer's direct reports.
- A new director becomes familiar with the roles of AMCC's outside, and if there are any, internal auditors and counsel, and
- The entire orientation is completed within six months of the time a director joins the Board.

***MAJORITY VOTING IN DIRECTOR ELECTIONS***

The Company's Bylaws provide that, except in contested elections, directors be elected to the Board pursuant to a majority vote rather than a plurality vote. The Board and the Governance and Nominating Committee shall nominate for re-election as directors only those candidates who agree to tender, in connection with their nomination, irrevocable resignations that will be effective upon (i) the failure to receive the required majority vote for re-election and (ii) Board acceptance of such resignation.

If an incumbent director fails to receive the required majority vote for re-election, the Governance and Nominating Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Governance and Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.