

Lexar Media, Inc.

CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

These governance principles are intended to define how the Lexar Board operates. They reflect the unique attributes and values of Lexar. They should be read in conjunction with other documents that detail the Board's role and accountabilities.

- 1. Lexar is an international company with a commitment to excellence in all that we do. We strive to be respected in our industry as a company known for its technical and marketing excellence, differentiated products, strong industry partnerships, and professionalism. We believe the composition and culture of the Board must reflect these attributes of our company. At all times we intend to have directors who bring a record of successful experience that is relevant to the success of Lexar and also have an understanding of general business and governance issues.**

(A) Composition of the Board and Board Membership Criteria

The Governance and Nominating Committee (GNC) shall establish criteria for Board membership, including the criteria set forth in these Corporate Governance Guidelines, and shall recommend individuals for membership on the Company's Board of Directors.

(B) Board Size

The Board presently has 7 members. The GNC shall periodically review the size of the Board and recommend any proposed changes to the Board.

- 2. Lexar is primarily in the business of providing solid-state mass storage products for sale into retail markets worldwide. The company also exploits its controller technology in OEM and Industrial markets and capitalizes on its intellectual property position to achieve licensing revenues and business partnerships. All directors must strive to understand the unique attributes and challenges inherent in this business, as well as the company's strategies for success.**

Director Orientation and Continuing Education

- (i) All new members of the Board are encouraged to participate in the Company's orientation program for directors. Other directors may also attend the orientation program.
- (ii) All directors will be offered the opportunity, and are encouraged, to participate in continuing education programs in order to stay current and knowledgeable about the business of the Company. Directors are also encouraged to participate in education programs that may assist them in the performance of their duties, including programs relating to the process of corporate governance.

3. While the Board recognizes that its primary accountability is to our shareholders, the Board may consider other stakeholders such as employees, communities and customers. Lexar's governance will comply with all applicable laws and regulations, and the Board will operate with a goal of transparency in its transactions and communications.

(A) Director Responsibilities

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling these roles, each director must act in what he or she reasonably believes to be in the best interests of the Shareholders and must exercise his or her business judgment accordingly.

(B) Code of Conduct and Ethics

The Audit Committee of the Board has the authority to recommend a Code of Conduct and Ethics for the Company for approval by the entire Board of Directors. The management, the employees and the directors are expected to abide by and uphold the Company Conduct and Code of Ethics.

(C) Director Qualifications

(i) Independence

A majority of the Board shall be comprised of directors meeting the independence requirements of the SEC and NASDAQ. The Board shall make an affirmative determination at least annually as to the independence of each director.

(ii) Retirement Age

The current mandatory retirement age for directors is 70. No director who is or would be over the age of 70 at the expiration of his or her current term may be nominated to a new term, unless the Board waives the mandatory retirement age for a specific director in exceptional circumstances. Such waiver must be renewed annually.

(iii) Other Qualifications

Directors should possess such knowledge, experience, skills, expertise and diversity as may enhance the Board's ability to manage and direct the affairs and business of the Company, including, when applicable, as may enhance the ability of committees of the Board to fulfill their duties. They should also 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.

(D) Simultaneous Service on Other Public or Private Company Boards

It is the policy of the Board that every director should seek the consent of the GNC or lead director, and confirm the absence of any actual or potential conflict, prior to accepting any invitation to serve on another corporate board or with a government group. Directors should not serve on more than four other public company boards in addition to the Board of the Company.

(E) Changes in Status

If a director significantly changes his or her status from active to retirement or changes primary employment during his or her tenure as a director, that director shall inform the lead director and offer to tender his resignation. The GNC shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation on whether resignation from the Board is appropriate.

(F) Conflicts of Interest

- (i) If an actual or potential conflict of interest develops because of a change in the business of the Company or a subsidiary, or in a director's circumstances (for example, significant and ongoing competition between the Company and a business with which the director is affiliated), the director should report the matter immediately to the lead director. The GNC has authority to determine the appropriate resolution.
- (ii) If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the lead director, recuse himself or herself from participation in the discussion, and shall not vote on the matter.

(G) Non-Executive Director Compensation

The Compensation Committee shall review and recommend for board approval compensation (including stock option grants and other equity-based compensation) for the Company's directors. In so reviewing and recommending director compensation, the Compensation Committee shall, among other things, consider peer reviews and best practices in the industry.

(H) Annual Performance Evaluation

The Board, led by the GNC, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The GNC shall oversee the evaluation with each director completing a questionnaire developed by the GNC with respect to various criteria. The collective evaluations shall be compiled in advance of the review session and shall be presented by the Chairman of the GNC to the full Board for discussion. This process shall also

include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board, with performance criteria for each committee established on the basis of its charter.

4. The Lexar Board is committed to effective decision-making and appropriate monitoring of the company's performance. This is achieved through the articulation of a clear distinction among the roles of the Board, the CEO, and the management team. This is further enhanced by a Board structure that includes a Lead Director and strong committees with well-defined charters.

(A) Board Process

(i) Participation at Board Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are expected to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings.

(ii) Board Material

In order for the Board to exercise fully its oversight functions, management provides the Board with access to information regarding the Company and the markets in which the Company operates. This information comes from a variety of sources, including management reports, security analysts' reports, information regarding peer performance, interaction with senior management at Board meetings and visits to Company facilities. Written materials to assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting. It is desired that such material be circulated to the Board approximately three business days prior to a regularly scheduled meeting.

(iii) Company Performance and Corporate Strategy

The Board reviews the Company's financial performance on an annual basis at Board meetings and through periodic updates. These reviews include the views of management.

(iv) Board Agenda

The Chairman of the Board, in conjunction with the Lead Director, establishes an agenda of topics for consideration and review by the Board

(v) Meetings of Non-Management Directors

Each year, the Company's non-management directors shall regularly (in any event no less than twice a year) schedule executive sessions of the Board and of each Committee in which management does not participate. The Lead Director or Committee Chairman or designate shall preside at each executive session.

(vi) Board Committees

- a. The Board shall have at all times an Audit Committee, a Compensation Committee and a Governance and Nominating Committee (GNC). Only independent directors meeting the independence requirements of the SEC and NASDAQ may serve on these three committees. Committee members shall be appointed by the Board based upon the recommendation of the GNC. The Board may, from time to time, establish or maintain additional committees, as it deems appropriate and in the best interests of the Company.
- b. In making its recommendations for committee appointments, the GNC shall review candidates' qualifications for membership on the committee (including a determination as to the independence of the candidate) based on the criteria established by the GNC.
- c. While the rotation of committee members at certain set intervals should be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity and experience gained in service on a particular committee over time.
- d. Each of the Audit Committee, Compensation Committee, and GNC shall operate pursuant to its own written charter. These charters must be approved by the full Board and shall, among other things, set forth the purpose and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

(B) Board's Relationship with Management

The Board does not manage the operations of the company. It hires and retains professionals with well-established technical, marketing, and management qualifications and the highest integrity to manage the company on a day-to-day basis.

(i) Board Member Access to Management and Independent Advisers

Board members shall have access to designated management personnel as it relates, to their Board responsibilities, Committee activity and to the Company's outside counsel and auditors. Should a Board member wish to initiate contacts with other Company personnel, such contact can be through the CEO. If a Board member feels that his Board responsibilities require discussion with Company personnel without the knowledge of the CEO, he or she should consult with the lead director before pursuing these discussions.

(ii) Board Member Access to Independent Advisers

The Board and each of its committees is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the full Board. Absent circumstances where conferring with the CEO will prejudice the purpose for hiring an advisor, the CEO will be informed prior to hiring the advisor.

(iii) Management Evaluation and Management Succession

- a. The Governance and Nominating Committee shall evaluate the performance of the CEO. The Compensation Committee in consultation with the CEO shall evaluate the performance of the executive management of the Company.
- b. The Governance and Nominating Committee in consultation with the CEO shall review the Company's CEO and officer succession planning, including succession planning in the case of the incapacity, retirement or removal of the CEO. The CEO shall provide an annual report to the Governance and Nominating Committee recommending and evaluating potential successors, along with a review of any development plans recommended for such individuals.

(C) Board's Relationship with Stockholders

(i) Annual Stockholder Meetings

Directors are encouraged to attend annual stockholder meetings.

(ii) Stockholder Communications.

Board and Audit Committee responsibilities shall include review of any stockholder communications that are referred to the Board or the Audit Committee by the corporate Secretary. The Company shall provide a phone hotline and alternatives on its website for stockholders who desire to contact the Board to report complaints regarding accounting, internal

accounting controls, auditing matters or other concerns. All complaints to the phone hotline regarding accounting, internal accounting controls or auditing matters will be referred directly to the Chairman of the Audit Committee by a third party on a confidential and anonymous basis. All other complaints will be reviewed and processed by the corporate Secretary (who will also provide written acknowledgement of receipt of the complaint or concern) and will be referred to the Lead Director or Audit Committee. However, any complaint (except anonymous complaints regarding accounting, internal accounting controls or auditing matters) that is made by a stockholder who does not provide his full name and contact information will not be referred to the Audit Committee or the Board.