

## Neoware Systems, Inc.

### Corporate Governance Guidelines

Neoware's Board of Directors believes strongly that good corporate governance accompanies and is a requirement for the Company's long-term business success. The Company's success to date has been the direct result of the Company's key business strategies and the highest business standards. To accomplish its strategic goals, the Company has, consistently over many years, developed and followed a program of corporate governance. The practices of this program are memorialized in these guidelines. These guidelines assure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management.

#### 1. Selection and Composition of the Board

##### Independence of the Board

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of The Nasdaq Stock Market. The Board will review annually the relationship that each director has with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of The Nasdaq Stock Market. The Board may adopt categorical standards to assist it in its determinations of director independence. The basis for any determination that a relationship is not material will be published in the Company's annual proxy statement or, if the Company does not file an annual proxy statement, in the Company's annual report on Form 10-K.

##### Board Membership Criteria

The Governance and Nominating Committee is responsible for identifying, screening and recommending directors for nomination by the Board for election as members of the Board. An assessment of the skills and characteristics needed by the Board in the context of the current status of the Board must be performed on a regular basis. Skills and characteristics to consider are: (i) experience in business; (ii) educational achievement; (iii) diversity; (iv) moral and ethical character; (v) skills; (vi) accountability and integrity; (vii) financial literacy; (viii) high performance standards; (ix) other board appointments; (x) industry knowledge; and (xi) independence from management.

### Selection of New Directors

The Governance and Nominating Committee of the Board is responsible for selecting and recommending to the Board candidates for election as directors. The Governance and Nominating Committee will consider nominees recommended by stockholders, provided that the stockholder must submit the recommendation in writing and satisfy the following requirements. Submissions must include the nominee's name, a complete description of the nominee's qualifications, experience and background, a statement signed by the nominee in which he or she consents to such nomination and the name of the stockholder and evidence of the person's ownership of the Company's stock, including the number of shares owned and the length of time of ownership. The stockholder recommendation and the foregoing information must be sent to the Secretary of the Company at the Company's offices in King of Prussia, Pennsylvania not less than 120 days prior to the anniversary date of the Company's most recent annual meeting of stockholders, or if the date of the meeting has been changed by more than 30 days from the date of the previous year's meeting, not less than 60 days before the date of the meeting. Stockholders also have the opportunity to nominate directors to be presented at a meeting of stockholders in accordance with the Bylaws of the Company. The Governance and Nominating Committee will screen director candidates and solicit advice from the Chief Executive Officer and other members of the Board. After the screening process is completed, the Board will nominate an appropriate slate of director candidates for election considering the recommendations of the Governance and Nominating Committee.

Notwithstanding the foregoing provisions regarding the selection of new directors, if the Company is legally required by contract or otherwise to provide third parties with the ability to designate directors for nomination, the selection and nomination of such directors need not be subject to the procedures established for the selection of nominees.

### Term Limits

Recognizing the value of continuity of directors who have experience with the Company, there are no limits on the number of terms in which a director may hold office.

### Change in Business Position

Directors are expected to report changes in their business or professional affiliations or responsibilities, including retirement, to the Chairman of the Board and the Independent Directors. A director should offer to resign if the Independent Directors conclude that the director no longer meets the Company's requirements for service on the Board.

### Other Board Memberships

Directors are expected to advise the Chairman of the Board promptly upon accepting any other public company directorship or any assignment to the audit committee or compensation committee of the board of directors of any public company of which such

director is a member. No member of the Board shall serve on the Board of more than three other public companies.

## **2. Director Responsibilities**

### Board and Annual Stockholder Meetings

Directors are expected to attend all meetings of the Board and of all Board committees upon which they serve and all annual meetings of stockholders. The Chairman of the Board shall set the agenda of meetings of the Board. Any director may suggest agenda items and may raise at meetings other matters that they consider worthy of discussion. Information and data that is important to the Board's understanding of the business to be discussed at meetings will be distributed in advance of meetings, to the extent practicable. To prepare for meetings, directors should review the materials that are sent to them in advance of those meetings.

### Executive Sessions

The Board will schedule regular executive sessions to follow each regularly scheduled Board meeting where the Independent Directors meet without management participation. The Board or the Company will establish methods by which interested parties may communicate directly with the Independent Directors of the Board as a group and cause such methods to be disclosed in the Company's annual proxy statement or, if the Company does not file an annual proxy statement, in the Company's annual report on Form 10-K.

### Committees

The Board shall at all times maintain an audit committee, a committee responsible for compensation of executive officers and a nominating committee. These committees must operate in accordance with applicable law, their respective charters as adopted and amended from time to time by the Board, and the applicable rules of the Securities and Exchange Commission and The Nasdaq Stock Market. The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by applicable law and the Company's Bylaws as the Board sees fit. The Chairman of each committee shall set the agenda of meetings of the applicable committee after receiving recommendations from management.

### Fiduciary Duty; Conflicts of Interest

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's Code of Conduct, which shall be applicable to each Director in connection with his or her activities relating to the Company. This shall include the requirement that directors exercise their business judgment to act in what they reasonably believe to be the best interests of the Company in a manner consistent with their fiduciary duties and that they avoid any action that conflicts with any interest of the

Company, or gives the appearance of a conflict. Directors must disclose to the other directors any potential conflicts of interest they may have with respect to any matter under discussion and, if appropriate, refrain from voting on a matter in which they may have a conflict.

### Stock Ownership

The Board believes that directors should be stockholders and have a financial stake in the Company. While the Board does not believe it appropriate to specify the level of share ownership for individual directors, it is anticipated that each director will develop a meaningful ownership position in the Company over time.

### **3. Director Access to Management and Independent Advisors**

The Company shall provide each director with access to the management of the Company. Key senior managers are regularly expected to attend Board meetings. The Board and Board committees, to the extent set forth in the applicable committee charter, have the right to consult and retain independent legal and other advisors at the Company's expense.

### **4. Director Compensation**

The Stock Option and Compensation Committee will review and recommend to the full Board, which will determine, the form and amount of director compensation, including cash, equity-based awards and other director compensation. In connection with such director compensation, the Board will consider what is customary compensation and the independence requirements of The Nasdaq Stock Market. The Board will critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.

### **5. Director Orientation And Continuing Education**

The Board will establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly-elected directors of the Company for their benefit either prior to or within a reasonable period of time after their nomination or election as a director. The Board will encourage, but not require, directors to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of directors of publicly-traded companies.

### **6. Management Evaluation and Succession**

#### CEO Evaluation

The Board (not including any members of management of the Company) will conduct an annual review of the performance and compensation of the Chief Executive Officer and make recommendations to the Stock Option and Compensation Committee.

## CEO Succession

The Board will establish and review such formal or informal policies and procedures, consulting with the Stock Option and Compensation Committee, the Chief Executive Officer and others, as it considers appropriate, regarding succession to the Chief Executive Officer in the event of emergency or retirement.

## **7. Annual Performance Evaluation of the Board and Corporate Governance Guidelines**

### Board and Committee Evaluation

The Board, with the assistance of the Governance and Nominating Committee, will conduct a self-evaluation annually to determine whether it and its committees are functioning effectively. The directors, with the assistance of the Governance and Nominating Committee, will evaluate overall Board performance against certain criteria that the Board has determined are important to its success. These include financial oversight, succession planning, compensation, corporate governance, strategic planning and Board structure and role. The Board will discuss the evaluation report to determine what, if any, action could improve Board and Board committee performance.

### Review of Corporate Governance Guidelines

The Board, with the assistance of the Governance and Nominating Committee, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

## **8. Code of Ethics**

The Board shall adopt a Code of Ethics for directors, officers and employees and, as required by applicable law and regulations, and the rules of the Nasdaq National Market, disclose any waivers of the code relating to the executive officers, the senior financial officers and the members of the Board. The code will address, among other things, compliance with laws, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets and encouraging the reporting of illegal or unethical behavior and violations of the code.

## **9. Amendment, Modification and Waiver**

These Guidelines may be amended, modified or waived by the Board and waivers of these Guidelines may also be granted by the Governance and Nominating Committee, subject to the disclosure and other provisions of the Securities and Exchange Act of 1934, the provisions of these Guidelines, and the applicable rules of the Nasdaq Stock Market.