

NET CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of Network Equipment Technologies, Inc. (the “**Company**”) has adopted the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in exercising its responsibilities. These Guidelines reflect the Board’s commitment to building long-term shareholder value with an emphasis on corporate governance. These Guidelines are not intended to change any Federal or state law or regulation applicable to the Company, including the Delaware General Corporation Law, the Certificate of Incorporation or Bylaws of the Company or any rule or regulation of any stock exchange. The Board reserves the right to modify these Guidelines from time to time as it deems necessary or advisable.

BOARD COMPOSITION

1. Selection of Chair of the Board and Chief Executive Officer

The Board is free to choose its Chair in any manner that is in the best interests of the Company at the time. The roles of the Chief Executive Officer and Chair of the Board should be separate.

2. Size of the Board

The Board shall review its own size from time to time and, within the provisions of the Company’s Bylaws, determine the size that is most effective toward future operations.

3. Selection of New Directors

The Nominating/Corporate Governance Committee is responsible for identifying, screening and recommending candidates for Board membership.

4. Board Membership Criteria

The Nominating/Corporate Governance Committee is responsible for assessing the appropriate balance of experience, skills and characteristics required of the Board.

Nominees for director shall be selected on the basis of depth and breadth of experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of the Company’s business environment, the willingness of the candidate to devote adequate time to Board duties, the interplay of the candidate’s experience and skills with those of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board.

No director may serve on more than a total of six boards of directors of public companies (including service on the Company's Board).

A director seeking to serve on another Board should notify the Chair in advance of accepting such service and should defer final acceptance of such a position until advised by the Chair or the Company’s legal counsel that such service does not constitute a conflict of interest or present other

serious problems for the Company.

In connection with each director nomination recommendation, the Nominating/Corporate Governance Committee will consider the issue of continuing director tenure and take appropriate steps to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's re-nomination is dependent upon such director's performance as evaluated by the Nominating/Corporate Governance Committee.

5. Percentage of Independent Directors on Board

Independent directors shall constitute at least a majority of the Board. No more than **two** management executives may serve on the Board at the same time.

6. Board Definition of Director Independence.

No director will qualify as "independent" unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Company will disclose these determinations. In order to be independent directors of the Company, directors must meet the criteria for director independence established by the New York Stock Exchange.

7. Chair of the Board

The Chair shall perform the following duties in addition to those specified in the Bylaws of the Company:

- Prepare the agenda for the Board meetings with input from the Chief Executive Officer, the Committee Chairs, and other directors;
- If appropriate, serve as an *ex officio* member of any of the Board Committees on which he or she is not a member.
- Discuss the results of the Chief Executive Officer's performance evaluation with the Chair of the Compensation Committee and, together with the Chair of the Compensation Committee, convey such results to the Chief Executive Officer.

In performing the duties described above, the Chair of the Board is expected to consult with the Chairs of the appropriate Board Committees and solicit their participation in order to avoid diluting the authority and responsibilities of such Committee Chairs.

8. Retirement from the Board

Except in exceptional circumstances, no director, after having attained the age of 75 years, shall be nominated for re-election or reappointment to the Board.

9. Directors Who Change Their Present Job Responsibility

Non-employee directors who retire from their executive positions at outside companies or change the position they held when they became a member of the Company's Board must notify the Nominating/Corporate Governance Committee of such changes. Upon being notified of any such changes in position of non-employee directors, and upon termination of employment of any director who is an employee of the Company, the Nominating/Corporate Governance Committee will review the appropriateness of continued Board membership under the circumstances and the affected director will be expected to act in accordance with the Nominating/Corporate Governance Committee's recommendation.

10. Board Compensation

The Company's executive officers shall not receive additional compensation for their service as directors.

Compensation for non-employee directors should allow the Company to recruit and retain qualified directors with the background and skills necessary for membership on the Company's Board. The principles for setting the form and amount of such compensation shall be reviewed periodically by the Board or a committee thereof composed of independent directors. Director fees are the only form of compensation that an Audit Committee member may receive from the Company.

FUNCTIONING OF THE BOARD

11. Director Orientation and Continuing Education

Each newly elected director is expected to attend an orientation program designed to inform them, among other things, about the duties and responsibilities of a director and the functions and operations of the Board and its committees.

Each director is expected to attend, from time to time, a seminar or conference regarding directors' legal duties and responsibilities, effective board functioning, accounting and auditing matters, or other subjects as appropriate to maintain and enhance their ability to serve on the board.

12. Frequency of Meetings

There will be at least four regularly scheduled meetings of the Board each year. At least one of these meetings will include budgeting and long-term strategic planning.

Each director is expected to attend no fewer than 75 percent of the total of all Board meetings and meetings of committees on which he or she serves.

13. Regularly Scheduled Executive Sessions

The Board will schedule regular executive sessions at least twice per year in which the non-management directors will meet without management participation.

14. Selection of Agenda Items for Board Meetings; Meeting Materials

The Chair of the Board and the Chief Executive Officer shall annually prepare a “Board of Directors Master Agenda.” This Master Agenda shall set forth a general agenda of items to be considered by the Board at each of its specified meetings during the year. A copy of the Master Agenda shall be provided to the entire Board. Thereafter, the Chair of the Board, in consultation with the Chief Executive Officer, may adjust the agenda to include special items not contemplated during the initial preparation of the annual Master Agenda.

In advance of each Board meeting, an agenda for such meeting will be sent to each director together with written materials pertaining to the matters to be presented for Board discussion at such meeting. In addition, before each regularly scheduled Board meeting, draft minutes of the most recent Board meeting and of any committee meetings held since the distribution of materials for the most recent Board meeting will be sent to each director. Also, at such regularly scheduled Board meetings where quarterly financial performance of the Company is to be discussed, summary financial information needed to understand the performance of the Company will be sent to each director. Written materials should be designed to provide a foundation for the Board’s discussion of key issues and allow the Board to make the most efficient use of its meeting time. Each director is expected to review and understand the materials provided in advance of meetings and any other materials provided to the Board from time to time. Each Board member shall be free to suggest additional agenda items for a Board meeting or to raise at any Board meeting subjects that are not specifically on the agenda for consideration at subsequent meetings.

15. Board Evaluation

The Board shall conduct an annual self-evaluation of its performance, and the performance of each of the Board committees. The Nominating/Corporate Governance Committee is responsible for establishing the evaluation criteria and overseeing the evaluations.

16. Board Contact with Senior Management

Board members shall have direct access to management. Board members shall use sound business judgment to ensure that such contact does not distract management from performing its duties.

Furthermore, the Board encourages the Chief Executive Officer, from time to time, to bring managers into Board meetings who: (a) can provide additional insight concerning the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that the Chief Executive Officer believes should be given exposure to the Board.

17. Board Interaction with Institutional Investors, Press and Customers

Management speaks for the Company. Directors shall refer all inquiries from institutional investors, the press or customers to an appropriate officer of the Company.

18. Board Access to Independent Advisors

The Board has complete authority to retain and terminate such independent consultants, counselors or advisors to the Board as it shall deem necessary or appropriate, at the expense of the Company, including determining the fees and other terms of such retentions or terminations.

COMMITTEE MATTERS

19. Number and Names of Board Committees

The Company shall have three standing committees: Audit, Compensation, and Nominating/Corporate Governance. The duties of these committees shall be set forth in their charters or in a resolution of the Board or the Bylaws of the Company. The Board may consider or form a new committee or disband a current committee depending on circumstances and good business practices.

20. Independence of Board Committees

All standing Board committees shall be chaired by independent directors. The Audit Committee, Nominating/Corporate Governance Committee, and Compensation Committee shall be composed entirely of independent directors. In addition, the Audit Committee shall be composed of independent directors that possess such accounting and financial expertise as the principal stock exchange or quotation service on which the Company's shares are listed or quoted shall require.

21. Assignment and Rotation of Committee Members

The Nominating/Corporate Governance Committee shall be responsible, after consultation with the Chief Executive Officer and the Chair of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating/Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairs and members to the committees on an annual basis.

The Nominating/Corporate Governance Committee shall review Committee assignments from time to time and shall consider the rotation of Chairs and members with a view toward balancing the benefits derived from the diversity of experience and viewpoints of the various directors. With regard to the Chair of the Nominating/Corporate Governance Committee, such position shall rotate at least once every three years.

22. Codes of Business Conduct and Ethics.

The Nominating/Corporate Governance Committee or Audit Committee, whichever shall be so assigned, shall cause to be prepared and recommend to the Board the adoption of an appropriate code of business conduct and ethics, and shall review and recommend changes from time to time.

LEADERSHIP DEVELOPMENT

23. Evaluation of Chief Executive Officer

The Compensation Committee shall review and approve corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and have sole authority to determine the Chief Executive Officer's compensation level based on this evaluation. Each year, the Chief Executive Officer shall make a presentation to the Compensation Committee or furnish a written report to the Compensation Committee indicating his/her progress in the established performance criteria, and the Compensation Committee shall then meet in executive session to review the Chief Executive Officer's performance. The results of the review and evaluation shall be discussed with the Chair of the Board and shall be communicated to the Chief Executive Officer by the Chair of the Board and the Chair of the Compensation Committee.

24. Succession Planning

Subject to approval by the Board or a committee thereof, the Chief Executive Officer shall prepare and distribute to the Board an annual report on succession planning for all senior officers of the Company and an organizational chart. In addition, the Chief Executive Officer shall prepare, on a continuing basis, a short-term succession plan which delineates a temporary delegation of authority to certain officers of the Company, if all or a portion of the senior officers should unexpectedly become unable to perform their duties. The short-term succession plan shall be in effect until the Board has the opportunity to consider the situation and take action, when necessary. In the event of retirement of the Chief Executive Officer, the Board or a committee thereof composed of independent directors shall nominate and evaluate potential successors.

25. Management Development

The Board shall determine that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

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