



Interphase Corporation

Board Governance Guidelines

The Board of Directors of Interphase Corporation has developed corporate governance practices over time to help it fulfill its responsibilities to oversee the actions of management and the performance of the Company. The governance practices are set forth in these guidelines to confirm that the Board will have the requisite authority and processes in place to (i) approve the Company's business strategy as developed by management, (ii) continually evaluate the Company's business results, and (iii) assure that the interests and actions of directors and management are aligned with those of Interphase's shareholders. These guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision-making both at the Board and management levels with a view toward enhancing shareholder value.

Role of the Board of Directors

The Board of Directors is the ultimate decision-making body of Interphase Corporation, except with respect to those matters reserved to the shareholders. The Board selects the Chief Executive Officer and consults with the CEO with respect to the rest of the senior management leadership. The Board acts as an advisor and counselor to senior management and oversees its performance.

Composition of the Board

Qualification: The Board consists of a majority of outside directors who meet the criteria for independence, as amended from time to time, established by the SEC and the Nasdaq National Market. One of these independent directors will be appointed by the Board to serve as Lead Independent Director (this will be the Chairman of the Nominating and Governance Committee). The Nominating and Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

The Nominating and Governance Committee also assesses the credentials and qualities of prospective directors, and reviews the performance of continuing directors in nominating them for election by shareholders. In performing these duties, the Committee will take into consideration such factors as applicable requirements of law and of the Nasdaq National Market, independence from management; diversity; relevant business experience; good business judgment, specific expertise, strength of character, integrity and reputation; existing commitments to other businesses; potential conflicts of interest with other pursuits; legal restraints; corporate governance background; understanding of fiduciary and governance responsibilities in



publicly held companies; financial and accounting background and education; executive compensation background and other factors deemed appropriate in adding value to the composition of the existing Board of Directors and its size and structure.

Selection: The Nominating and Governance Committee considers candidates for Board and Committee membership. Potential director candidates for consideration may be identified through the Committee's own initiatives or offered by management, by other directors on the Board, or by the Company's shareholders. Final approval of candidates to fill vacancies or for election by the shareholders is determined by the full Board.

Functioning of the Board

Meetings: Directors are expected to attend Board and Committee meetings and to spend the time needed to adequately prepare for a meeting. The Chairman and CEO, together with the Lead Independent Director, will establish the agenda for each Board meeting, with the understanding that certain items pertinent to the advisory and monitoring functions of the Board will be brought to it periodically for review and/or decision. Any member of the Board may request that an item be included on the agenda. At a Board meeting any member of the Board may raise a subject that is not on the agenda for that meeting. Materials related to agenda items are to be provided to the Board members sufficiently in advance of the meeting as necessary to allow the members to prepare for discussion of the items at the meeting.

Board Compensation: Compensation of independent directors is intended to be comparable to that offered by other companies of similar size and scope. Independent directors shall receive no additional remuneration, in the form of consulting fees or other special benefits, beyond that provided for service on the Board. Directors who are officers of the Company shall receive the same level of stock option grants offered to independent directors, but shall receive no additional cash compensation for their director service to the Board. The Compensation Committee of the Board will annually review the compensation of directors in light of other comparable companies, and make a recommendation to the Nominating and Governance Committee who in turn will bring the issue before the full board for concurrence and approval.

Board Evaluation: The Nominating and Governance Committee is responsible for coordinating an annual evaluation by the directors of the Board's performance. The Nominating and Governance Committee is responsible for establishing the evaluation criteria and conducting the evaluation.

CEO Evaluation: The Nominating and Governance Committee is responsible for coordinating an annual evaluation of the CEO's performance, and report its findings to the Compensation Committee. The Nominating and Governance Committee is responsible for establishing the criteria to be used



in conducting this evaluation and reporting it to the Board. The Compensation Committee will establish the long-term and short-term compensation and performance goals for the CEO, unless otherwise determined by a majority of the independent directors.

Selection of Board Chairman and Chief Executive Office:. The Board believes the positions of Chief Executive Officer and Chairman of the Board should be combined to provide unified leadership and direction to the Company. The Board reserves the right to adopt a different policy should circumstances change.

Management Succession: The Board will plan for the succession of the Chairman and CEO as well as other senior management positions. To assist the Board, the CEO is required to provide the Board with annual assessments of Interphase's senior managers and other persons considered potential successors to the Chairman and/or CEO position and to other senior management positions. In the event of the death, resignation or incapacity of the Chairman of the Board or the Chief Executive Officer, the Chairman of the Nominating and Governance Committee will immediately call a meeting of the committee to recommend to the full board the selection of a interim (or permanent if available) replacement of either (or both) positions.

Access to Management; Independent Advisors: Directors have unrestricted access to members of management and employees of the Company, as well as to the independent auditors of the Company. The Board's contact with such individuals should be handled in such a manner that would not be disruptive to the Company's business operations. Any non-routine written communications emanating from such contact should be copied to the Chief Executive Officer.

The Board also encourages the Chief Executive Officer to bring into the Board and committee meetings corporate executives (and employees) to provide additional insight on items being discussed because of their personal involvement in such areas; and/or to provide the Board with exposure to such individuals with outstanding management potential.

The Board and/or the Committees of the Board also have the ability to hire, at Interphase's expense, independent advisors when it is deemed necessary or advisable to do so. The directors rely on the advice, reports and opinions of management, counsel and expert advisers. Any engagement of outside resources should be discussed with the Chief Executive Officer to ensure that the expense associated with such work is budgeted and justified within the good business practices of the Company.

Executive Sessions: Executive sessions, or meetings of outside directors without management present, are held as part of each regularly scheduled Board and committee meeting. In these cases either the committee chairman or the Lead Independent Director chairs these meetings.



Communications with Constituencies: Management speaks for the Company. Communications about Interphase with the press, media and other constituencies (e.g., shareholders, customers, communities, suppliers, creditors, regulators and corporate partners) are generally made only by management. Individual Board members may, from time to time, at the request of the CEO, meet or otherwise communicate with various constituencies of the Company.

To ensure that the interests of the Company's shareholders can be made known directly to the Board, the Board has established procedures to enable shareholders to communicate directly with the Company's directors. These procedures are disclosed on the Company's corporate governance page of the Company's website and published in the Company's annual proxy materials.

Committees of the Board

Committee Structure: All major decisions are considered by the full Board. The committee structure of the Board is limited to those committees considered by the Board to be basic to or required for the operation of Interphase as a publicly owned company. Currently those committees are the Audit Committee, the Nominating and Governance Committee, New Employee and Retention Stock Option Committee, and the Compensation Committee. Each committee has adopted its own charter setting forth the purposes of the committee as well as qualifications for committee membership. The members and chairs of these committees will be recommended to the full Board for approval by the Nominating and Governance Committee in consultation with the Chairman and CEO on an annual basis.

Qualification: All members of the Audit, Nominating and Governance and Compensation Committees are independent directors under the criteria, as amended from time to time, established by the SEC and the Nasdaq National Market.

Functioning of the Committees: The chairman of each committee determines the frequency and length of the committee meetings and develops the agenda for each meeting. Materials related to agenda items are to be provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

Committee Access to Resources: Committee Members have access to members of management and employees of the Company, as well as to compensation consultants, investment bankers, other independent consultants, and the independent auditors of the Company, whose expertise is deemed essential to carrying out the committees' respective missions. Any engagement of outside resources should be discussed with the Company



Chief Executive Officer to ensure that the expense associated with such work is budgeted and justified within the good business practices of the Company.

Termination of Board Membership: The Board has not set term limits on Board members, because it values the experience and insights of longer term Board membership. Each Board member stands for re-election annually, and it is expected that directors are willing to commit to multiple years of service to the Company's Board. The Board has implemented a mandatory retirement at age 68.

Upon termination of his (or her) primary occupation, or other significant change in business/professional circumstances, any Board member is required to tender his (or her) resignation to the Board. After reviewing the circumstances, the full Board shall then decide whether to accept the resignation.

Amendment

The Corporate Governance Guidelines are subject to modification from time to time by the Board.