



CHARTER OF THE GOVERNANCE AND NOMINATING COMMITTEE

PURPOSE

The purpose of the Governance and Nominating Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Applied Micro Circuits Corporation, a Delaware corporation (the “*Company*”), shall be:

- to oversee all aspects of the Company’s corporate governance functions on behalf of the Board and make recommendations to the Board regarding corporate governance issues;
- to identify, review and evaluate candidates to serve as directors of the Company and review and evaluate incumbent directors and select nominees for election as directors at the annual meeting of stockholders; and
- make other recommendations to the Board regarding affairs relating to the directors of the Company, including director compensation.

COMPOSITION

The Committee shall consist of at least two directors. All members of the Committee shall satisfy the independence requirements of The Nasdaq Stock Market (“*Nasdaq*”), as in effect from time to time, when and as required by Nasdaq, including any exceptions permitted by those requirements, as well as the independence requirements set forth in Exhibit “A” to this Charter. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Chairman of the Committee shall be designated by the Board.

MEETINGS AND MINUTES

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting. The Chairman of the Committee shall report to the Board from time to time, or whenever so requested by the Board.

AUTHORITY

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall be authorized to access such internal and external resources as the Committee deems necessary or appropriate to fulfill its defined responsibilities, including engagement at the Company’s expense of independent counsel, consultants and other professional advisors, as well as executive search firms, to help identify director candidates. The Committee shall have sole authority to approve fees, costs and other terms of engagement of such outside resources who shall report directly to the Committee. The



Committee shall have authority to require that any of the Company's personnel, counsel, accountants or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants. The Committee shall have the authority to perform such other functions, and shall have such powers, as may be necessary or appropriate in the efficient and lawful discharge of its responsibilities hereunder. The Committee may form and delegate authority to subcommittees as appropriate. The approval of this Charter by the Board will be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

OPERATING PRINCIPLES AND PROCESSES

In fulfilling its function and responsibilities, the Committee shall give due consideration to the following operating principles and processes:

- *Communication* – Regular and meaningful contact throughout the year with the Board, committee chairmen, members of senior management and independent professional advisors to the Board and its various committees is viewed as important for strengthening the Committee's knowledge of relevant current and prospective corporate governance issues.
- *Committee Education/Orientation* – Developing with management and participating in a process for systematic review of important corporate governance issues and trends in corporate governance practices that could potentially impact the Company will enhance the effectiveness of the Committee.

The operation of the Committee will be subject to the provisions of the Bylaws of the Company as in effect from time to time and Section 141 of the Delaware General Corporation Law.

RESPONSIBILITIES

To implement the Committee's purpose and policies, the Committee shall be charged with the following duties and responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of Nasdaq, deviate from these activities as appropriate under the circumstances:

Corporate Governance

1. To prepare, recommend and establish a process for monitoring compliance with a code of business conduct and ethics, including a conflict of interest policy, for adoption by the Board.
2. To recommend guidelines and policies for corporate governance for adoption by the Board, including policies furthering open communications among directors, senior management and outside advisors and requiring regular meetings of the independent directors in executive session in compliance with the applicable rules of Nasdaq (or any other national



securities exchange or self-regulatory organization on which the Company's common stock may then be listed or traded).

3. To periodically review and assess the code of business conduct and ethics and corporate governance guidelines and policies and their application and recommend any changes deemed appropriate to the Board for its consideration.

Director Qualifications and Nominations

4. To develop and maintain a current list of the functional needs and qualifications for directors.

5. To evaluate and, when appropriate, make a recommendation 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 the applicable rules of Nasdaq (or any other national securities exchange or self-regulatory organization on which the Company's common stock may then be listed or traded).

6. To identify, interview, evaluate (including consideration of any potential conflicts of interest) and select individuals for nomination for election to the Board as required.

7. To review, evaluate and consider candidates for election as directors submitted by the Company's stockholders.

8. To review, evaluate and consider the nomination of incumbent directors for re-election to the Board.

Board and Committee Assessment

9. To recommend annually the structure, responsibility and composition, including the chairmanship, of each committee of the Board after due consideration of the interests, independence and experience of the individual directors and the independence and experience requirements of Nasdaq and the rules and regulations of the Securities and Exchange Commission and applicable law.

10. To review, discuss and assess periodically the performance and effectiveness of the Board, the Committee and the other Board committees, including evaluation of the size of the Board and the committees, seeking input from senior management, the Board and others.

Board Policies and Planning

11. To evaluate no less often than annually and make a recommendation to the Board with respect to the compensation of the non-employee directors.

12. To oversee the orientation of new directors upon election to the Board.

13. To prepare and recommend guidelines regarding directors' service on additional boards of directors for adoption by the Board.



14. To evaluate and, when appropriate, make a recommendation to the Board on succession planning with respect to the executive officers of the Company.

15. To prepare and recommend a program for the continuing education of directors for adoption by the Board and, if adopted, to oversee such program.

16. To oversee and review the processes and procedures used by the Company to provide information to the Board and its committees after taking into consideration, among other factors, the reporting channels through which the Board and its committees receive information and the level of access to outside advisors where necessary or appropriate, as well as the procedures for providing accurate, relevant and appropriately detailed information to the Board and its committees on a timely basis.

17. To establish policies and procedures to facilitate stockholder communications with the Board and to recommend to the Board appropriate action on any proposal or recommendation received from the Company's stockholders.

18. To review, discuss and assess the Committee's performance at least annually.

19. To review and assess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.



EXHIBIT "A"

INDEPENDENCE REQUIREMENTS

To meet the independence standards of this Exhibit A, the Board must determine that a director satisfies all of the following criteria:

1. The director has not been employed by the Company or its subsidiaries as an Executive Officer at any time during the preceding five years. "Executive Officer" means the Chief Executive Officer and the "named executive officers", as defined in Item 402(a)(3) of Regulation S-K of the SEC;

2. The director or an entity affiliated with the director has not received, during the current fiscal year or any of the three immediately preceding fiscal years, remuneration of more than \$50,000 in any such fiscal year for service as an advisor, consultant, or legal counsel to the Company or to an Executive Officer of the Company; *provided, however*, that compensation for service as a director of the Company shall not be included for purposes of this paragraph (2);

3. The director has no personal services contract(s) with the Company or any Executive Officer of the Company, which result in payments of more than \$50,000 in any such fiscal year; *provided, however*, that service as a director of the Company shall not be deemed to constitute a personal services contract for purposes of this paragraph (3);

4. The director is not an officer, director or trustee of a not-for-profit entity that receives cash contributions from the Company or an Executive Officer of the Company in an amount greater than the greater of \$250,000 or 1% of that not-for-profit entity's total annual receipts;

5. During the current fiscal year or any of the three immediately preceding fiscal years, the director has not had any business relationship with the Company for which the Company has been required to make disclosure under Item 404 of Regulation S-K of the SEC, other than for service as a director or for which relationship no more than de minimis remuneration was received in any one such year;

6. The director is not employed by a public company at which an Executive Officer of the Company serves as a director;

7. The director is not a member of the immediate family of any person described in paragraphs (1), (2), (3) or (4) above;

8. The director does not have beneficial ownership interest greater than 5% of the total equity interest in an entity that has received remuneration, other than de minimis remuneration, from the Company or its subsidiaries. Remuneration is deemed de minimis for this paragraph only if it does not exceed the greater of \$2,000,000 or 1% of the entity's consolidated annual gross revenues and does not directly result in an increase in the compensation received by the director from that entity; and



9. The director is not a current Executive Officer of a significant customer or supplier of the Company. A customer is significant if, during the fiscal year, it made payments of more than the greater of \$1,000,000 or 2% of the consolidated annual gross revenues of the Company and a supplier is significant if, during the fiscal year, it received more than the greater of \$1,000,000 or 2% of the consolidated annual gross revenues of the Company.

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