

DGT HOLDINGS CORPORATION CORPORATE GOVERNANCE PRINCIPLES

I. INTRODUCTION

The following Corporate Governance Principles (the “Principles”) have been approved by the Board of Directors (the “Board”) of DGT Holdings Corporation (the “Company”) upon the recommendation of the Company’s Governance and Nominating Committee, and, together with the Company’s certificate of incorporation, Bylaws and charters and key practices of the Board committees, provides the framework for the governance of the Company. The Board intends that these Principles serve as a flexible framework within which the Board may conduct its business and not as a set of binding legal obligations. These Principles should be interpreted in the context of all applicable laws, the Company’s charter documents and other governing legal documents. The Board shall from time to time make such revisions to these Principles, based on the recommendation of the Governance and Nominating Committee, as are considered appropriate. The Principles, as well as the charters of the committees of the Board, shall comply with the listing and other requirements of the exchange on which the Company’s securities are listed. If the Company’s securities are not listed on a nationally recognized exchange, they shall comply with the applicable requirements, rules and regulations of the NASDAQ Stock Market (“Nasdaq”).

II. BOARD COMPOSITION

A. Size of the Board. The Company’s Board shall consist of such number of directors as provided in the Company’s Bylaws, which number may be changed by amendment to the Company’s Bylaws. The Governance and Nominating Committee will periodically review the size and classification of the Board and, as appropriate, make recommendations to the Board.

B. Director Independence Determination. It is the policy of the Board that a majority of the directors of the Company will not be current employees of the Company. The Board, through the Governance and Nominating Committee, is responsible for determining the independence of each director under the applicable standards (the requirements for independence set by the exchange on which the Company’s securities are listed, and if none, the requirements for independence set forth in the applicable rules and regulations of Nasdaq, including as the same may be amended from time to time pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”)) and for identifying the independent directors in the Company’s annual proxy statement.

C. Management Directors. The Board anticipates that the Company’s Chief Executive Officer (the “CEO”) will be nominated regularly to serve on the Board. The Board may also appoint or nominate other members of Company management whose experience and role at the Company are expected to help the Board fulfill its responsibilities.

D. Chairman of the Board. The Board will periodically appoint a Chairman. Only non-management directors are eligible for appointment as the Chairman. The Board believes it to be in the best interests of the Company and its stockholders to separate the roles of Chairman

and CEO, and therefore, it is the Board's policy that the roles of Chairman and CEO should be filled by separate individuals, with the Chairman selected from the non-management directors serving on the Board. In the event of any vacancy, the Chair of the Audit Committee shall serve as the Chairman until a new Chairman is selected.

E. Selection of Board Nominees. The Board will be responsible for nominating individuals to present to the stockholders as candidates for Board membership and for selecting individuals to fill Board vacancies. The Board has delegated to the Governance and Nominating Committee the screening process for identifying and recommending possible candidates for election to the Board. The Governance and Nominating Committee may consult with the CEO and Company management as part of such screening process.

F. Board Membership Criteria. The Board's policy is to encourage selection of directors who will contribute to the Company's overall corporate goals and objectives. The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. The Governance and Nominating Committee may at the request of the Board from time to time review the appropriate skills and characteristics required of Board members in the context of the then-current composition of the Board and make an assessment of the perceived needs of the Board. Board members are expected to prepare for, attend and participate in meetings of the Board and of committees on which they serve. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director. Each Board member shall disclose to the Board any other boards of directors on which he or she serves, and of any change in his or her principal occupation, including retirement, as well as any other change in circumstance that may affect such member's independence under the independence criteria above.

G. Stockholder Recommendation of Potential Board Candidates. Stockholders who wish to suggest a candidate for consideration for election to the Board may submit a written recommendation to the Corporate Secretary of the Company, 100 Pine Aire Dr., Bay Shore, NY 11706., along with personal information about the candidate, including a list of the candidate's references, the candidate's resume or curriculum vitae and the other information that would be required pursuant to the Company's Bylaws. A description of factors qualifying or recommending the nominee for service on the Board would also be helpful. A stockholder making such a recommendation may be asked by the Governance and Nominating Committee for additional information, including such information as is necessary to satisfy the rules and regulations of the SEC and the exchange upon which the Company's securities are listed (or, if none, the rules and regulations of Nasdaq). In order to be considered for nomination for election to the Board at any annual meeting of stockholders of the Company, a stockholder must submit such a recommendation within the time period specified in the Company's Bylaws.

H. Directors Who Change Job Responsibility. The Board does not believe directors who retire, change their principal occupation or business association, or serve on other boards of directors should necessarily leave the Board. The Board, through the Governance and Nominating Committee, will review the continued appropriateness of Board membership under those circumstances. A director shall notify the Board annually about his or her principal occupation or business associations. The directors shall also respond to requests made by the

Board as to their other activities. The Board, through the Governance and Nominating Committee, will review the appropriateness of the activities of each director remaining on the Board.

I. Other Directorships. Although the Board does not have a formal policy, independent directors are encouraged to limit the number of other boards of directors (excluding non-profit) on which they serve to a number to which they believe they can devote sufficient time. The Governance and Nominating Committee and the Board will take into account the nature of and the time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to stockholders.

J. Retirement and Term Limits. The Board does not believe that a fixed retirement age, or term limits, for directors are appropriate. While mandatory retirement and term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole.

K. Board Compensation. The Board, through the Compensation Committee, will annually review and recommend appropriate compensation policies for the directors serving on the Board and its committees. This review may consider board compensation practices of other public companies, contributions to Board functions, service on Board committees, and other appropriate factors. Management directors will not be paid for Board membership in addition to their regular employee compensation. Directors will be reimbursed for their reasonable and necessary expenses for attending Board and Board committee meetings. Any change in Board compensation shall be made upon the recommendation of the Compensation Committee, and following discussion and concurrence by the full Board.

L. Board Education. The Board, through the Governance and Nominating Committee, and with the assistance of management, shall consider and provide programs or presentations regarding new director orientation and continuing education to existing directors.

M. Resignation Policy Relating to Majority Voting for Directors. The Company's Bylaws provide that, if none of the Company's stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if the Company's stockholders have withdrawn all such nominations by the tenth day before the Company mails its notice of meeting to our stockholders, directors are elected by a majority of the votes cast. The Board will not nominate an incumbent director for re-election as a director unless, prior to such nomination, the incumbent has submitted a resignation as a director, which resignation will be effective upon the earlier of (i) the Board's acceptance of the director's resignation following the director's failure to receive a sufficient number of votes for re-election at any meeting of the stockholders of the Corporation at which the director's seat on the Board is subject to election or (ii) the 90th day after certification of the election results evidencing such failure to be re-elected; provided, however, that prior to the effectiveness of such resignation the Board may reject such resignation and permit the director to withdraw such resignation. The resignation must provide that it may not be revoked or otherwise withdrawn by the director unless such revocation or withdrawal is approved by the Board.

If an incumbent director fails to receive the required vote for re-election, the Governance and Nominating Committee shall act on an expedited basis to determine whether to accept or reject the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board intends to act promptly on the Committee's recommendation and will decide to accept or reject such resignation and publicly disclose its decision within 90 days from the date of certification of the election results. If the Board decides to reject the resignation it will permit the director to withdraw the resignation prior to its effectiveness. The Governance and Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept or reject a director's resignation. The Board expects a director whose resignation is under consideration to abstain from participating in any decision regarding the resignation.

III. BOARD MEETINGS

A. Scheduling of Full Board Meetings. Board meetings will be scheduled in advance and held at least every quarter. At least two meetings of the Board per year will be conducted in person. In addition to regularly scheduled meetings, additional and special Board meetings may be called upon appropriate notice at any time to address specific needs of the Company. The Board may also take action from time to time through telephonic meetings and by unanimous written consent.

B. Agenda and Materials. The Chairman will have primary responsibility, in consultation with the CEO, for preparing the agenda for each Board meeting that will be sent in advance of the meeting to the directors, along with appropriate background materials. Each Board committee and each individual director may propose the inclusion of items on the agenda and request the presence of or a report by any member of Company management. Additional matters may be discussed at a meeting without advance distribution of written materials, as appropriate.

C. Board Presentations. It is expected that the Board will have regularly scheduled presentations from the Company's management with respect to finance, sales and marketing, and the major lines of business and operations of the Company. The Board encourages the presentation at meetings by managers who can provide additional insight into matters being discussed, who can provide reports that will enhance the flow of meaningful financial and business information to the Board or who have potential reports, information or insight that the CEO believes should be given exposure to the Board.

D. Board Materials Distributed in Advance. Information, data and presentation materials that are important to the Board's understanding of the Company's business will be distributed in writing to the Board before the Board meets. Management will make every attempt to ensure that the materials being distributed are as concise as possible while giving directors sufficient information to make informed decisions. The Board acknowledges that, under certain circumstances, written materials may be unavailable to directors in advance of a meeting, and that certain items to be discussed at the Board meetings are of an extremely sensitive nature such that the distribution of materials on these matters prior to the Board meeting may not be appropriate.

E. Access to Information and Employees. The Board shall have complete access to any information about the Company that it deems necessary or appropriate to carry out its duties. This includes, among other things, access to the Company's employees (including senior management), documents and facilities. Company management will also afford the Board member with access to the Company's outside legal, accounting and investment banking advisors.

F. Executive Sessions of Independent Directors. The independent directors of the Board will meet in Executive Session from time to time, but not less than twice per year, to discuss such topics as the independent directors determine, including evaluation of the performance and compensation of the CEO. The Chairman, or, in his or her absence, the Chair of the Audit Committee, shall preside over these Executive Sessions. The Company's finance staff and other employees may be invited to attend portions of these Executive Sessions.

G. Evaluation of Effectiveness of Board Meetings. The Board will evaluate the effectiveness of meetings of the Board, including agendas, meeting materials, meeting structure and organization, schedule and frequency of meetings, and minutes.

IV. BOARD COMMITTEES

A. Committees. The three current standing committees of the Board are the Audit Committee, the Compensation Committee and the Governance and Nominating Committee, the purpose and responsibilities of which are set forth in the charters of such committee as adopted by the Board and the applicable committee. Each of these committees other than the Governance and Nominating Committee will consist solely of independent directors that satisfy applicable legal, regulatory and stock exchange requirements (or, if the Company's securities are not listed on any exchange, the rules and regulations of Nasdaq). From time to time the Board may establish a new committee or disband an existing committee depending upon the circumstances.

B. Committee Member Selection. The Board, upon the recommendation of the Governance and Nominating Committee, will designate the members and Chair (if any) of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee. The membership of the Audit and Compensation Committees shall consist solely of independent directors. For the Audit and Compensation Committees, the members shall also meet applicable criteria for independence under (i) the applicable exchange on which the Company's securities are traded (or if none, the applicable criteria for independence under the rules and regulations of Nasdaq), (ii) the rules and regulations of the SEC and (iii) tax rules applicable to such committees.

C. Committee Charters. Each committee will have a written charter, approved by the Board and the applicable committee, which describes the committee's purpose, general authority and responsibilities. Each committee shall review its charter as appropriate and will propose to the Board such revisions as are considered appropriate. The charters will also provide that each committee will annually evaluate its own performance.

D. Committee Functions and Proceedings. The number and agendas of committee meetings and other matters of committee governance will be determined by each committee in

light of the authority delegated to the committee by the full Board, the committee's charter, the Company's certificate of incorporation and bylaws and legal, regulatory, accounting or governance principles applicable to that committee's function. Any director, however, may recommend the inclusion of a specific agenda item for any committee meeting, regardless of whether the director is a member of such committee. Each committee shall periodically report to the full Board on significant matters discussed by the committee. The agendas and meeting minutes of the committees shall be shared with the full Board, and other Board members are welcome to attend committee meetings, except where a conflict may exist with respect to any such director and the subject matter of the committee meeting. The Company will provide to each committee complete access to Company employees and other resources to enable the committees to carry out their responsibilities.

V. BOARD AND MANAGEMENT RESPONSIBILITIES

A. Responsibilities of the Board. The primary responsibilities of the Board are oversight, counseling and direction to Company management in the interest and for the benefit of the Company's stockholders. The Board's detailed responsibilities, some of which are to be fulfilled through committees of the Board, include, among other things:

1. selecting, evaluating the performance of, and approving the compensation of the CEO and approving the compensation of the other executive officers;
2. planning for the long-term succession with respect to the position of CEO, as well as planning for succession in the event of an emergency or the retirement of the CEO, and monitoring management's succession planning for other senior executive officers;
3. reviewing, approving and monitoring the Company's major financial and strategic objectives, operating plans and corporate actions;
4. overseeing the conduct of the Company's business to evaluate whether the business is being properly managed, including with respect to oversight of risk management; and
5. overseeing the processes for maintaining the integrity of the Company with regards to its financial statements and other public disclosures, and compliance with law and ethics.

B. Responsibilities of the Chairman of the Board. The Chairman is responsible for the effective functioning of the Board. The Chairman's detailed responsibilities include, among other things:

1. presiding (if present) at Board meetings in a manner that utilizes the Board's time effectively and encourages free and open discussion;
2. collaborating with the CEO to determine an appropriate schedule for Board meetings, agenda items and information sent to the Board;

3. acting as liaison between the Board and Company management and facilitating and encouraging constructive and useful communication between Company management and the Board;
4. coordinating the activities of the independent directors;
5. advising the CEO as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the Board to effectively and responsibly perform its duties; and
6. overseeing an annual review, in coordination with the Governance and Nominating Committee, of the effectiveness of the Board and its members.

C. Responsibilities of Management.

1. **Generally.** The CEO, working with the other executive officers of the Company, has the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company, and in accordance with any specific plans, instructions or directions of the Board. The CEO and other executive officers are responsible for running the Company's day-to-day operations and appropriately informing the Board of the status of such operations. The CEO and other executive officers are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

2. **Financial Reporting, Legal Compliance and Ethical Conduct.** The Board's governance and oversight functions do not relieve Company management of the primary responsibility for preparing financial statements which accurately and fairly present the Company's financial results and condition. Company management shall maintain systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the Company's business.

3. **Corporate Communications.** The Board believes that the Company's executive management has the primary responsibility to communicate with investors, the press, employees and other constituencies that are involved with the Company, and to set policies for those communications. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with the knowledge of Company management and, in most instances, at the request of Company management.

D. Prohibition on Personal Loans. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any Board member or member of the Company's management.

E. Availability of Outside Advisors. The Board and its committees may retain outside advisors – legal, accounting, investment banking, and any others as deemed necessary or appropriate – of their choosing at the Company's expense. The Board and its committees need not obtain management's consent to retain outside advisors.

F. Related Party Transactions. Any related party transactions (excluding compensation, whether cash, equity or otherwise, determination of which is delegated to the Compensation Committee) involving a director or executive officer of the Company must be reviewed and approved by the Audit Committee or another independent body of the Board.

G. Director Attendance at Annual Stockholders' Meeting. The Board strongly encourages directors to attend annual stockholders' meetings.

H. Stockholder Communications with Directors. If a stockholder wishes to communicate directly with the Board, a committee of the Board, or with an individual director, he or she should send the communication to:

DGT Holdings Corporation
The Board of Directors
100 Pine Aire Dr.
Bay Shore, NY 11706

Alternatively, an email may be delivered to the following address: governance@dgtholdings.com
The Company will forward all such stockholder correspondence to the Board, committee of the Board, or individual director(s), as applicable, however the Company reserves the right not to forward to the Board any abusive, threatening or otherwise inappropriate materials.

I. Disclosure of these Principles. These Principles, as well as the charters of the Audit, Compensation and Governance and Nominating Committee, will be posted on the Company's website and also will be available in print to any stockholder requesting them.