



CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Approved September 24, 2004

I. Purpose

The Audit Committee (the "Committee") the Board of Directors ("Board") of MRV Communications, Inc. (the "Company") is designated by and generally acts on behalf of the Board. The Board has established the governing principles of the Committee through the adoption of this Charter. The Committee's purpose is to assist the Board in its oversight of:

- A. the integrity of the Company's financial statements;
- B. the Company's system of internal controls and disclosure controls;
- C. the Company's compliance with legal and regulatory requirements;
- D. the accounting and financial reporting processes of the Company;
- E. the audits of the Company's financial statements; and
- F. the appointment, compensation, retention and work of the independent auditors, including to determine whether to engage or dismiss the independent auditors and to monitor the independent auditors' qualifications and independence.

The Committee will also prepare the report required by the rules of the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

Although the Committee has the powers and responsibilities set forth in this Chapter, the role of the Committee is oversight. The Committee's direct reporting relationship is to the Board. The members of the Committee are not employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits, to independently verify management's representations, or to determine that the Company's financial statements are complete and accurate, ("GAAP") or fairly present the financial condition, results of operations, and cash flows of the Company. These are the responsibilities of management and the independent auditors. The Committee's considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with GAAP, that accepted auditing standards, or that the Company's independent auditors are in fact "independent"

II. Membership

A. The Committee shall be composed of at least three (3) directors, each of whom must be "independent", as defined by the relevant SEC and National Association of Securities Dealers ("NASD") rules, and who have not participated in the preparation of the financial statements of the Company or any of its current subsidiaries during the past three years. Members of the Committee must satisfy the following independence requirements:

1. No Committee member or immediate family member of such Committee member may be an affiliated person of the Company or any of its subsidiaries, which means that he or she does not, either directly or indirectly as a partner, controlling stockholder or officer of another company, own or control more than 5% of the Company's Common Stock; and

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2. No Committee member shall accept directly or indirectly any consulting, advisory, or other compensatory fees from the Company or any of its subsidiaries, except for fees for services as a director, for services as a member of the Audit Committee or any other Board committee, or fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).

B. All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least one member shall be an "audit committee financial expert" as defined by the SEC and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication. Notwithstanding any designation as an audit committee financial expert, each member of the Committee is expected to contribute significantly to the work of the Committee. Moreover, designation as an audit committee financial expert will not increase the duties, obligations or liability of the designee as compared to the duties, obligations and liability imposed on the designee as a member of the Committee and of the Board.

C. The members of the Committee shall be nominated by the Nominating and Corporate Governance Committee and appointed by a majority of the Board for one-year terms. As part of that process, the Nominating and Corporate Governance Committee shall recommend, and the Board shall designate, one member of the Committee to serve as Chairperson and the Board shall determine whether each member of the Committee is independent and shall designate one member of the Committee as an "audit committee financial expert". The members of the Committee shall serve until their resignation, retirement, or removal by the Board or until their successors shall be appointed. No member of the Committee shall be removed except by majority vote of the independent directors of the full Board then in office.

D. Generally, no member of the Committee may serve simultaneously on the audit committees of more than three (3) public companies without a specific Board determination that such simultaneous service will not impair the ability of such Committee member to serve on the Committee.

III. Meetings and Procedures

A. The Committee shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than quarterly.

B. The Committee shall meet with the independent auditors, the senior member of the Company's internal audits department, and management in separate meetings, as often as it deems necessary and appropriate. The Committee will meet privately with the independent auditors at least annually.

C. The Chairperson of the Committee or a majority of the members of the Committee may call a special meeting of the Committee.

D. The Committee may request that any directors, officers, or employees of the Company, or other persons whose advice and counsel are sought by the Committee attend any meeting to provide such information as the Committee requests.

E. The Committee shall be governed by the same rules regarding meetings, actions without meetings, notice, waiver of notice, quorum and voting requirements that are applicable to the Board.

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F. The Committee may adopt its own rules of procedure, not inconsistent with the Bylaws of the Company and this Charter.

G. The Committee shall report on a regular basis to the Board on the matters discussed at each meeting of the Committee, including describing all actions taken by the Committee at the meeting so that the Board is kept informed of the Committee's activities on a current basis.

H. The Committee shall keep written minutes of its meetings, which minutes shall be delivered to the Secretary of the Company and maintained with the books and records of the Company.

I. The Committee may delegate authority to one or more members of the Committee where appropriate, but such delegation shall not be permitted if the authority is required by law, regulations or listing standards to be exercised by the Committee as a whole.

J. The Committee shall have the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of (i) compensation to any such counsel and other advisors engaged by the Committee, (ii) compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services, and (iii) ordinary administrative expenses of the Committee necessary or appropriate in carrying out its duties. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

K. The Committee is authorized to have full and unrestricted access to all personnel, records, operations, properties, and other information and resources of the Company and its subsidiaries as required to properly discharge its duties and responsibilities. The Committee has the authority to direct and supervise an investigation into any matter within the scope of its duties.

IV. Duties and Responsibilities

A. Financial Reporting Process.

1. The Committee shall review and discuss with management and the independent auditors the annual audited financial statements and the results of the independent auditor's audit thereof, the quarterly financial statements and the results of the independent auditor's review thereof and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" proposed for inclusion in the Company's reports to be filed with the SEC. Following such review, the Committee shall recommend to the Board whether the financial statements should be included in the Company's reports to be filed with the SEC.

2. The Committee shall discuss with management and the independent auditors the Company's earnings releases prior to their release, as well as the types of financial information and earnings guidance provided to analysts and rating agencies.

3. The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as it may be revised or supplemented from time to time, including the selections and changes in significant accounting policies, critical accounting policies, areas requiring significant estimation and management judgment, and material weaknesses in internal controls.

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4. The Committee shall review and discuss with management and the independent auditors the adequacy of the Company's internal controls, the adequacy of the company's CEO and CFO financial report certification process, and any regulatory and accounting initiatives, correspondence with regulators, or published reports that raise material issues with respect to, or that could have a significant effect on, the Company's financial statements.

5. The Committee shall prepare a report to the Company's stockholders for inclusion in the Company's annual proxy statement as required by the rules and regulations of the SEC, as they may be amended from time to time.

6. After each independent audit, the Committee shall review with management and the independent auditor the results of the audit, including any qualifications of the independent auditor's opinion, any related management letter, any significant suggestions for improvements made by the independent auditor, and management's responses to recommendations made by the independent auditor in connection with the audit.

B. Risks and Control Environment.

1. The Committee shall discuss periodically with management the Company's policies and guidelines regarding risk assessment and risk management, including environmental risk assessment and risk management, cash management, foreign exchange risk assessment and management, investment risk assessment and management, as well as any other major financial risk exposures of the Company and the steps that management has taken to monitor and control such exposures.

2. The Committee shall review and update periodically the Company's Standards of Business Conduct, which is a written code of ethics applicable to the Company's senior financial officers and other employees as required by the SEC and NASD rules, and shall have the sole authority to grant a waiver of the application of the Company's Standards of Business Conduct to a director or executive officer, any such waiver shall be promptly reported to the entire Board and the Company's stockholders.

3. The Committee shall meet periodically with the senior members of management and, where appropriate, the independent auditors, to review the Company's policies and procedures regarding practices that may impact the financial statements, and to review the Company's compliance with applicable laws, regulations and the Company's Standards of Business Conduct.

4. The Committee shall oversee the Company's disclosure controls and procedures, including applicable internal controls and procedures for financial reporting and internal controls relating to the authorization of transactions and the safeguarding and control of assets and shall consider the impact on the Company of any significant deficiencies in the design or operation of internal controls and procedures for financial reporting or material weaknesses therein and any fraud involving management or other employees that is reported to the Committee and shall oversee appropriate corrective actions.

C. Independent auditors.

1. The Committee shall be directly responsible for the appointment, compensation, retention, and oversight of work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Company shall provide for appropriate funding, as determined by the Committee, to compensate the independent auditors.

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2. The Committee shall review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees for such services. The Committee may establish policies and procedures for the approval of audit and lawfully permitted non-audit services, including the ability to delegate to one or more of its members the authority to grant pre-approvals for the performance of non-audit service, which such member shall report the pre-approval to the full Committee at its next meeting.

3. Prior to each audit, the Committee shall meet with the independent auditors to discuss the planning and staffing of the audit, including the impact of rotation requirements and other independence rules on the staffing.

4. The Committee shall, at least annually, obtain and review a report by the independent auditors describing: (i) the auditing firm's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or Public Company Accounting Oversight Board review, of the firm, or by any inquiry or investigation by governmental or professional authorities or a private sector regulatory board, within the preceding five years, respecting one or more independent audits performed by the firm, and any steps taken to deal with any such issues; and (iii) in order to assess the firm's independence, all relationships between the firm and the Company.

5. The Committee shall review and consider any reports prepared by the independent auditors and provided to the Committee relating to (i) critical accounting policies and practices, (ii) alternative disclosures and treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (iii) any other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

6. The Committee shall discuss with the independent auditors any audit problems or difficulties, including any restrictions on the scope of the auditor's activities or on access to requested information, and management's response to same. The Committee shall discuss with the independent auditors any accounting adjustments that were noted or proposed by the independent auditor but were not made. In addition, the Committee shall discuss with the independent auditors any other matters required to be brought to its attention under generally accepted auditing standards, and shall resolve any significant disagreements between the independent auditors and management.

7. After reviewing the reports from the independent auditors and the independent auditors' work throughout the audit period, the Committee will conduct an annual evaluation of the independent auditors' performance and independence, including considering whether the independent auditors' quality controls are adequate. This evaluation also shall include the review and evaluation of the lead partner of the independent auditors, including whether or not such lead partner has performed audit services for the Company in each of the Company's five previous fiscal years. In making its evaluation, the Committee shall take into account applicable legal and listing requirements as well as the opinions of management and the senior member of the Company's internal audit department. The Committee shall present its conclusions with respect to the evaluation of the independent auditors to the Board.

8. The Committee shall set clear policies for the hiring by the Company of employees or former employees of the independent auditors. Specifically, the Company shall not hire as its Chief Executive Officer, Chief Financial Officer, Controller, Chief Accounting Officer, or any person serving in an equivalent position any partner, employee, or former employee of the Company's independent auditors who participated in any capacity in an audit of the Company during the one year period preceding the date of initiation of the then-current audit.

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D. Internal Audit Function.

1. The Committee shall oversee the activities, organization structure, and qualifications of the internal audit department.
2. The Committee shall review and approve the appointment and replacement of the senior member of the Company's internal audit department.
3. The Committee shall review and approve the annual internal audit plan of, and any special projects undertaken by, the internal audit department, and shall discuss the internal audit department's plan, operations and budget with the Company's independent auditors.
4. The Committee shall discuss with the internal audit department any changes to, and the implementation of, the internal audit plan and any special projects and discuss with the internal audit department the results of the internal audits and special projects.
5. The Committee shall review any significant reports to managements prepared by internal audit department and management's responses.

E. Evaluation and Reports

1. The Committee shall annually review and assess the performance of the Committee and deliver a report to the Board setting forth results of its evaluation. In conducting this review, the Committee shall address matters that it considers relevant to its performance, including at a minimum, the adequacy, appropriateness, and quality of the information and recommendations presented to the Committee, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.
2. The Committee shall make regular reports to the Board on its activities, including reviewing any issues that arise respecting the quality and integrity of the Company's public reporting, the Company's compliance with legal and regulatory requirements, the performance and independence of the Company's independent auditors, the performance of the Company's internal audit department, and the effectiveness of the Company's disclosure controls and procedures.

F. Complaints.

1. The Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
2. The Committee, acting as the Qualified Legal Compliance Committee, shall receive, review and take appropriate action with respect to any report made or referred to it by an attorney for the Company of evidence of a material violation of federal or state securities law or a material breach of a fiduciary duty under federal or state law, or a similar material violation of state or federal law by the Company or any of its officers, directors, employees or agents.

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3. Upon receipt of such a report, the Committee shall have the duty and responsibility:

a. to inform the Company's chief legal officer and chief executive officer of such report, unless such notification would be futile;

b. to determine whether an investigation is necessary regarding such report and, if it determines an investigation is necessary or appropriate, to notify the Board and to initiate an investigation, which may be conducted by either the chief legal officer or by outside attorneys; and retain such additional expert personnel as the Committee deems necessary in connection with such investigation;

c. at the conclusion of any such investigation, to recommend that the Company implement an appropriate response to evidence of a material violation, and inform the chief legal officer, the chief executive officer and the Board of the results of any such investigation and the appropriate remedial measures to be adopted; and

d. to take all other appropriate action, including the authority to notify the SEC in the event that the Company fails in any material respect to implement an appropriate response that the Committee has recommended.

G. Other Matters.

1. The Committee shall review and approve all related party transactions.

2. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for its approval.

3. The Committee shall maintain free and open communication with the Board, management, the internal auditor, and the independent auditors.

4. The Committee shall review at least annually the status of significant tax matters affecting the Company and its subsidiaries.

5. The Committee shall perform any other activities required by applicable law, rules or regulations, including the rules of the SEC and any stock exchange or market on which the Company's securities may be listed from time to time, and perform such other activities that are consistent with this Charter, the Company's Amended and Restated Certificate of Incorporation, the Company's Bylaws, and governing law, as the Committee or the Board may deem necessary or appropriate.