

Applied Films Corporation
Nominating and Governance Committee Charter
July 24, 2003

Purpose

The primary function of the Nominating and Governance Committee (the "Committee") is to assist the Board of Directors by (1) establishing qualifications and standards to serve as a director of the Company, (2) identifying and recommending individuals qualified to become directors of the Company, and (3) developing, recommending and reviewing corporate governance standards and policies for the Company.

Membership

The Committee shall be comprised of three or more members of the Board of Directors, each of whom must qualify as an independent director ("Independent Directors") under the NASDAQ listing requirements, and such additional standards that the Committee may establish. The members shall be appointed annually to one-year terms by the Board. The Board shall designate one member of the Committee as Chair.

Meetings and Procedures

Meetings of the Committee shall be subject to the Committee procedure rules set forth in the Company's Bylaws, rules established by the Board, and its own rules of procedure, which shall be consistent with those Bylaws and the following:

1. The Committee shall meet at such times as the Committee considers appropriate to fulfill its duties and responsibilities.
2. Following each of its meetings, the Committee shall deliver a report (verbal or written) on the meeting to the Board, including a description of actions taken by the Committee.
3. Minutes will be prepared for each meeting and will be maintained as a permanent part of corporate records.
4. At least annually, the Committee will review this charter and update it as necessary.

Responsibilities and Duties

The Committee shall have the following responsibilities and duties:

Board Composition—Standards and Needs

1. Review the composition and size of the Board in order to ensure the Board has the proper expertise and independence.
2. Determine the skills, experience, position and other criteria for selection of individual Board members.
3. Develop and review Board policies on term limits, service requirements, and retirement.
4. Plan for continuity on the Board as existing Board members retire from the Board.
5. Establish criteria for qualification as an Independent Director, consistent with laws and listing standards.

Board Composition—Nominations

1. Maintain an active file of suitable candidates for consideration as nominees to the Board. In compiling the file, the Committee shall consider, all factors it deems appropriate, which may include marketing, operational, financial, international, or executive experience in related industries, operational, financial or accounting experience with publicly held companies and whether the person would be an "Independent Director."
2. Conduct director evaluations upon re-nomination for election at least every three years.

3. Review any Board candidates recommended by shareholders in compliance with all director nomination procedures for shareholders contained in the bylaws. Candidates nominated by shareholders shall be evaluated in the same manner in which Committee nominees are evaluated. .
4. Recommend to the Board the slate of nominees of directors to be elected by the shareholders and any directors to be appointed by the Board to fill vacancies. Recommendations should consider the review by the Committee of the performance and contribution of directors being nominated for reelection as well as the qualifications of proposed new directors.

Evaluation of the Board and Management Succession

1. Sponsor and oversee performance evaluations for the Board as a whole, which shall be done at least annually.
2. Develop, recommend and review the Company's (a) orientation program for new directors, and (b) continuing education program for incumbent directors.
3. Annually review succession plans for the CEO and other key management positions as appropriate.

Corporate Governance Matters

1. Recommend to the Board policies to enhance the Board's effectiveness, including the frequency and structure of Board meetings and the number, size and responsibilities of Board Committees.
2. Develop and review periodically, at least annually, the corporate governance policies of the Company to ensure that they are appropriate for the Company and comply with applicable laws, regulations, listing requirements and recommend any changes to the Board.
3. Review periodically the Articles of Incorporation and Bylaws of the Company and recommend to the Board appropriate changes thereto.
4. Consider any other corporate governance issues that arise from time to time and refer them to the Board. If the Board requests, the Committee will develop appropriate recommendations for the Board.

Conflicts and Other Directorships

1. Review other directorships, positions and agreements of Board members for conflicts of interest.
2. Clear actual and potential conflicts of interest.
3. Issue instructions to a Board member having an actual or potential conflict of interest on how to conduct himself/herself in matters before the Board which may pertain to that conflict.

The committee shall have the authority to retain outside counsel, search firms or any other advisors as the committee may deem appropriate in its sole discretion.