

THE BOARD OF DIRECTORS OF AFOP, INC. CORPORATE GOVERNANCE GUIDELINES

The primary responsibility of the Board of Directors of AFOP, Inc. (the “Company”) is to provide effective governance over the Company’s affairs for the benefit of the Company’s shareholders, employees, customers and suppliers, and local communities. The Board’s responsibilities include but are not limited to:

- Evaluating the overall performance of the Company and its business.
- Reviewing strategic plans, approving capital spending, and budgets.
- Monitoring risks such as litigation and competitive threats, and evaluating management’s plans for dealing with such risks.
- Evaluating the performance of the Chief Executive Officer.
- Establishing compensation policies for the Chief Executive Officer and other executive officers.
- Reviewing succession plans and development programs for members of management.
- Reviewing corporate policies regarding legal and ethical conduct.
- Evaluating itself in terms of size, independence, and overall effectiveness.

The following guidelines have been adopted by the Board to assist it in the exercise of its responsibilities. These guidelines are in addition to, and are not intended to change or interpret any law or regulation, including California General Corporation Law, the Articles of Incorporation, or the Bylaws of the Company. These guidelines are subject to modification from time to time by the Board of Directors.

BOARD SIZE

The Nominating and Corporate Governance Committee monitors the size and composition of the Board on an ongoing basis, and the number of directors may be increased or decreased as circumstances warrant.

INSIDE / OUTSIDE DIRECTORS

It is the policy of the Board that a significant majority of its members be independent directors. The Board will affirmatively determine that each independent director has no material relationship with the Company (either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with the Company) and meets the standards for independence as defined by applicable law and the rules of the NASDAQ Stock Market. The Company will disclose such determinations in its annual proxy statement. The independent directors elect a lead director every two years or more often as necessary. The lead director presides at executive sessions of the independent directors and performs any other duties delegated by the independent directors.

BOARD MEMBERSHIP CRITERIA

The Nominating and Corporate Governance Committee is responsible for annually reviewing with the Board the appropriate skills and characteristics needed by the Board. This assessment includes evaluation of skills, relevant business experience and expertise (such as manufacturing, technology, financial, marketing, or international knowledge), diversity, and ability and willingness of board members to devote the necessary time to board service on an ongoing basis. The assessment is done in the context of what the perceived needs of the Board are at that time.

The Nominating and Corporate Governance Committee is responsible for nominating candidates for election to the Board of Directors. Candidates nominated for election to the Board of Directors are expected to have high personal and professional ethics, integrity, and an inquiring and independent mind, along with practical wisdom, mature judgment and such other qualifications that are set forth from time to time in the Nominating and Corporate Governance Committee charter.

Board members are expected to prepare for, attend, and participate in all Board and applicable committee meetings. Each Board member is expected to ensure that other commitments, such as other board memberships, do not materially interfere with Board service requirements. Board members are prohibited from serving on more than four other public company boards of directors.

ELECTION

All directors are elected in three classes by the shareholders in 3-year rotation.

TERM LIMITS

The Board does not have term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, such limits have the disadvantage of losing the contribution of directors who over time have developed increased insight into the Company and its operations. However, the Nominating and Corporate Governance Committee will consider various criteria, including a director's contributions to the Board, in determining whether or not to recommend a director for reelection. The Board has no retirement policy.

DIRECTOR COMPENSATION

The Executive Compensation Committee will periodically review director compensation in comparison to companies that are similarly situated to ensure that such compensation is reasonable and competitive. The Executive Compensation Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels or if the Company provides direct or indirect compensation to organizations with which a director is affiliated. Any changes in director compensation are made only after a review by the Executive Compensation Committee with the Board and approval by the Board.

AFFILIATIONS OF DIRECTORS

Each director is required to advise the Corporate Secretary of any affiliation with public or privately held commercial enterprises and to call to the attention of the Board any such affiliation

Exhibit I (Continued)

that may create a potential conflict of interest with the Company. Each director shall submit a written letter of resignation to the Chairman of the Board upon any change of employment or consulting relationship, and the Board of Directors shall decide whether to accept such resignation.

OPERATION OF BOARD MEETINGS

The Chairman of the Board sets the agenda for Board meetings, with the understanding that certain items pertinent to the monitoring functions of the Board be brought to the Board periodically for review, discussion, and decision. For example, progress against the annual corporate revenue and expense plan is reviewed by the Board each meeting, as well as annually when the plan is determined. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed first in detail with that committee, and then reported to the full Board in summary by the Chair of that committee. Any member of the Board may request that an item be included on the agenda.

Board agendas and minutes of the previous meeting are provided to Board members sufficiently in advance of Board meetings to allow the directors to prepare for discussion of the items at the meeting.

At the invitation of the Board, members of senior management may attend Board meetings.

EXECUTIVE SESSIONS

The independent directors hold an executive session without management or inside directors present at each Board meeting. The lead independent director presides at each executive session.

COMMITTEES

The Board of Directors has standing Audit, Nominating and Corporate Governance, and Executive Compensation Committee, each of which consists exclusively of independent directors, as defined by applicable law and the rules of the NASDAQ Stock Market.

The chair of each committee determines the frequency, length, and agenda of meetings for the applicable committee. An agenda and minutes from the previous meeting are provided sufficiently in advance of the meeting to allow the members to prepare for discussion at the meeting.

Each committee has a charter that sets forth the purposes, duties, and responsibilities of the committee as well as qualifications for committee membership, and operations and committee reporting to the Board. Each committee will review its charter at least annually, and, if appropriate, an updated and/or revised charter will be recommended to the Board by the committee.

The Board has the flexibility to form a new committee or to disband an existing one, as it deems appropriate and as permitted by listing and statutory requirements.

BOARD ADVISORS

The Board and each committee have the power to hire independent legal, financial, or other advisors, as they deem necessary or appropriate, without consulting or obtaining the approval of any officer of the Company. However, the chair of the Board or applicable committee will advise management when any such advisor has been retained and will inform management of the cost of any such services.

SUCCESSION PLANNING

The Chief Executive Officer of the Company is responsible for developing and maintaining a process for advising the Board on planning for a potential successor Chief Executive Officer, as well as successors for other key senior leadership positions in the Company. The Chief Executive Officer reviews this plan with the full Board at least annually.

ASSESSING THE BOARD'S PERFORMANCE

The Nominating and Corporate Governance Committee is responsible for conducting an annual assessment of the Board, the Board committees, and individual directors. This evaluation process shall be discussed with the full Board.

DIRECTOR EDUCATION

Directors are required to attend formal educational programs that will update them on issues and latest regulations with which they must be familiar. The Company reimburses them for the cost of such education but does not compensate them specifically for the time required to attend such classes.

PERIODIC REVIEW OF THIS STATEMENT

The Nominating and Corporate Governance Committee will review these Corporate Governance Guidelines at least annually.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

THE BOARD OF DIRECTORS OF AFOP, INC.

PURPOSE

The Nominating and Corporate Governance Committee (the “Committee”) of AFOP, Inc. (the “Company”) is chartered to oversee the selection of properly qualified individuals to the Board of Directors and to administer governance over the entire Company.. Specifically, they are chartered (1) to identify individuals qualified to become Board members and to nominate directors for election; (2) to lead the Board in its annual review of the Board's performance; (3) to recommend to the Board director nominees for each committee; and (4) to review and make recommendations to the Board concerning corporate governance matters.

The Committee shall undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe. All powers of the Committee are subject to any restrictions imposed by the Company’s Bylaws and applicable law.

MEMBERSHIP

The Committee shall consist of at least three members of the Board of Directors. Each Member (the “Member”), including the Chairperson, shall be appointed annually by, and shall serve at the discretion of the Board of Directors and shall not receive any compensation from AFOP other than compensation for Board or Committee service. At the time of appointment, each Member shall be an independent director, as such term is defined by applicable law, the SEC and NASDAQ.

DUTIES AND RESPONSIBILITIES

The specific duties and responsibilities of the Committee include the following:

Corporate Governance Matters

1. The Committee shall review, and approve changes to, the Company’s investment policy, and performance.
2. The Committee shall review and approve the code of ethics for senior financial officers and any changes to or waivers of such code.
3. The Committee shall review at least annually the Company’s legal entity structure.
4. The Committee shall keep abreast of developments and best practices in corporate governance matters and shall review the Company’s Corporate Governance Guidelines at least annually to ensure that they remain relevant and are being complied with and, where appropriate, recommend any changes for approval by the Board.
5. Review any proposed changes to the Company’s Articles of Incorporation and bylaws and make recommendations to the Board.

Exhibit II (continued)

6. Determine the manner in which shareholders of the Company may send communications to the Board (as a whole or individually). Establish the process by which the Chair of the Committee will determine which shareholder communications will be relayed to the Board and what the Board's response, if any, should be.
7. Oversee compliance by the Board and its committees with applicable laws and regulations, including those promulgated by the SEC and NASDAQ.

Board Evaluation and Nomination Matters

8. The Committee shall seek individuals qualified to become Board members and shall nominate directors for election by the shareholders at the annual meeting or by the Board when an election is required prior to the annual meeting of shareholders. In considering potential new directors, the Committee will review individuals from various disciplines and backgrounds. Among the qualifications to be considered in the selection of candidates are skills, relevant business experience and expertise (such as manufacturing, technology, financial, marketing, or international knowledge), diversity, and ability and willingness to devote the necessary time to board service on an ongoing basis. A review is also to be made of the activities and associations of each candidate to ensure that there is no legal impediment, conflict of interest, or other consideration that might hinder or prevent service on the Board.
9. The Committee shall review the disclosure included in the Company's proxy statement regarding the Company's nomination process.
10. The Committee shall receive comments from all directors, oversee the evaluation process, and report annually to the Board with an assessment of the Board's performance as a whole, for each Board committee, and for each Board member eligible for re-election. These matters are to be discussed with the Board following the end of each fiscal year.
11. The Committee shall review on a periodic basis, the charter and composition of each Board committee and make recommendations to the Board for the creation of additional Board committees or the change in mandate or dissolution of Board committees.
12. The Committee shall evaluate director compensation, consulting with outside consultants and/or Human Resources department when appropriate, and make recommendations to the Board regarding director compensation.
13. The Committee shall make recommendations for continuing education of Board members.
14. The Committee shall review actual and potential conflicts of interest of Board members and corporate officers, and approve or prohibit any involvement of such persons in matters that may involve a conflict of interest or taking of a corporate opportunity.
15. The Committee may form and delegate authority to subcommittees when appropriate.
16. The Committee shall annually review and reassess the adequacy of this Charter and propose any changes to the Board for approval. The Committee shall also annually evaluate its operation against this charter.
17. The Committee shall perform such other functions as assigned by law, the Company's bylaws, or the board of directors.

AUTHORITY

The Committee has the following authority:

Exhibit II (continued)

18. The Committee shall have the authority to retain and terminate any search firm to be used to identify director candidates and shall have authority to approve the search firm's fees and other retention terms. The Committee shall advise management when a search firm or advisor has been retained and inform management of the cost of any such services.
19. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting, or other advisors regarding matters within the Committee's duties and responsibilities.
20. The Committee shall have the authority to engage and approve the compensation and other retention terms for independent counsel and other advisors as necessary to perform its duties and responsibilities.

CONDUCT OF BUSINESS

The Committee shall conduct its business in accordance with this Charter and any direction by the Board. The Committee is expected to maintain free and open communication with the external auditors, financial and senior management, and the Board of Directors. This communication shall include private executive sessions, at least annually, with each of these parties. Prior to the annual meeting of shareholders, the Committee will nominate and report to the Board the persons who will be the nominees for election to the Board of Directors at the annual meeting of shareholders. As part of this process, the Committee will consider candidates recommended by the Company's shareholders. Finally, the Committee shall provide to the Company's shareholders a report in the Company's annual proxy statement. This Committee report shall comply with the requirements of Item 306 of Regulation S-K and shall include the Committee's review and discussion of matters with management and the external auditors.

The Committee shall report, at least annually, to the Board. The Committee chairperson shall also report on the Committee activities to the full Board. The Committee shall annually review its own performance.

MEETINGS

The Committee shall meet, either in person or via telephonic conference, on a regular basis, at least quarterly, or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

MINUTES

The Committee shall maintain written minutes of its meetings and shall file such minutes with the minutes of the meetings of the Board of Directors.

AFOP, Inc.

WHISTLEBLOWER POLICY

*Procedures for the Submission of Complaints or Concerns
Regarding Financial Statement Disclosures, Accounting,
Internal Accounting Control, or Auditing Matters*

Section 301 of the Sarbanes-Oxley Act of 2002, the applicable rules of the Securities and Exchange Commission, and the listing standards of the NASDAQ Stock market require the Nominating and Corporate Governance Committee of AFOP, Inc. (the “Company”) to establish formal procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company, of concerns regarding questionable accounting or auditing matters.

The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. Accordingly, in order to facilitate the reporting of concerns and complaints, the Company’s Audit Committee has established the following procedures for (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including concerns regarding questionable accounting or auditing matters (collectively, “Accounting Matters”), and (2) the confidential, anonymous submission by employees of the Company of concerns regarding Accounting Matters.

Scope of Matters Covered by These Procedures

These procedures relate to concerns or complaints relating to any questionable accounting matters including, without limitation, the following:

- Fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- Fraud or deliberate error in the recording and maintaining of financial records of the Company;
- Deficiencies in or non-compliance with the Company’s internal accounting controls;
- Misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or;
- Deviation from full and fair reporting of the Company’s financial condition.

Submission of Complaints

The Company shall promptly forward to the Chairman of the Audit Committee any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls, or auditing matters.

Any person, including employees, with a concern or complaint regarding Accounting Matters may submit their concern or complaint by sending an e-mail to the Chairman of the Audit Committee of

Exhibit III (continued)

the Company at audit_committee@AFOP.com. Be advised that sending an e-mail message to this address does not protect your anonymity.

The person submitting a complaint should include a telephone number in the submission at which he or she may be contacted if the person requests contact or if the Audit Committee determines that contact is appropriate. **Whether you identify yourself or not, in order that a proper investigation can be conducted, please provide as much information as you can, sufficient to do proper investigation, including where and when the incident occurred, names and titles of the individuals involved, and as much other detail you can provide.**

Retaliation

The Company will not permit any negative or adverse actions to be taken against any employee or individual who in good faith reports a possible violation of law, including any concerns regarding questionable Accounting or auditing matters, even if the report maybe mistaken, or against any employee or individual who assists in the investigation of a reported violation. The Company will not discharge, demote, suspend, threaten, harass, or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of an employee with respect to good faith reporting of any concerns or complaints. Retaliation by any employee in any form will not be tolerated. Any act of alleged retaliation should be reported immediately to the Audit Committee and will be promptly investigated.

Confidentiality

The Company will treat all communications under this Policy in a confidential manner, except to the extent necessary (1) to conduct a complete and fair investigation; or (2) for review of Company operations by the Company's Board of Directors, its Audit Committee, the Company's independent public accountants, and the Company's legal counsel.

Employees may forward concerns or complaints regarding Accounting Matters on a **confidential and anonymous** basis to the Chairman of the Audit Committee through a hotline or Internet as follows:

1. Internet

To send a message directly to the Audit Committee via the Internet, use this email address: r_black@ecrm.com. Responders are asked to put "AFOP Confidential" in the subject window.

2. Telephone access for U.S. and China and Taiwan

Call United States 1-626-577-5533 for a confidential telephone access to Castellan Law Group, LLP 24/7/365. During normal working hours in Pacific Standard Time Zone, live call-takers will take reports from employee callers and will provide assistance as appropriate.

Whether you identify yourself or not, in order that a proper investigation can be conducted, please provide as much information as you can, sufficient for the recipient to do a proper investigation, including where and when the incident occurred, names and titles of the individuals involved, and as much other detail you can provide.

Taking action to prevent problems is part of AFOP's culture. The Company urges employees and others involved with the Company to come forward without regard to the identity or position of a suspected offender and report possible violations.

Treatment of Complaints

1. Upon receipt of a concern or complaint, the Chairman of the Audit Committee will (i) determine whether the concern or complaint actually pertains to Accounting Matters and (ii) acknowledge receipt of the concern or complaint to the submitter within ten (10) working days.
2. Initial inquiries will be made to determine whether an investigation is appropriate, and the form that it should take. Some concerns may be resolved by agreed action without the need for investigation.
3. The Audit Committee may enlist employees of the Company and/or outside legal, accounting or other advisors, as the Audit Committee determines to be appropriate, to conduct any investigation of complaints relating to Accounting Matters.
4. The amount of contact between the complainant and the team conducting the investigation will depend on the nature of the issue and the clarity of information provided. Further information may be sought from the complainant.
5. For each incident received through Castellan Law Group, a confidential personal access number is assigned to each employee contact. Each unique number is generated upon submission of a Report. Employees may use their access number to receive messages from, or to anonymously communicate with the Audit Committee or its authorized representative anytime following the submission of a Report to the Audit Committee by Castellan Law Group.
6. In conducting any investigation, the Audit Committee shall use reasonable efforts to protect the confidentiality and anonymity of the complainant, consistent with the need to conduct an adequate review.
7. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.
8. When possible and when determined appropriate by the Audit Committee, notice of any corrective action taken will be reported back to the person who submitted the concern or complaint, if return email or other address is provided by the complainant, or if such complaint was received through Castellan Law Group.

Exhibit III (continued)

9. Subject to legal constraints, the complainant may also receive information regarding the outcome of the investigation.

Reporting and Retention of Complaints and Investigations

The Audit Committee will maintain a log of all reported concerns or complaints, tracking their receipt, their investigation, and their resolution and shall prepare a periodic summary report thereof for the Board of Directors. The Audit Committee shall retain, as a part of its records, any such complaints or concerns for a period of no less than seven (7) years.

CHARTER FOR THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF AFOP, INC.

1. PURPOSE

The purpose of the Executive Compensation Committee of the Board of Directors (the “*Board*”) of AFOP, Inc. (the “*Company*”) shall be to: provide oversight of the Company’s compensation policies, plans and benefits programs; assist the Board in discharging its responsibilities relating to (a) oversight of the compensation of the Company’s Chief Executive Officer (the “*CEO*”) and other executive officers (including officers reporting under Section 16 of the Securities Exchange Act of 1934), and (b) approving and evaluating the executive officer compensation plans, policies and programs of the Company; and assist the Board in administering the Company’s equity compensation plans for its executive employees.

The purpose of the Compensation Committees of the Board of the Company shall be to: provide oversight of the Company’s compensation policies, plans and benefits programs; assist the Board in discharging its responsibilities relating to (a) oversight of the compensation of all other employees, and (b) approving and evaluating the compensation plans, policies and programs of the Company; and assist the Board in administering the Company’s equity compensation plans for all its non-executive employees.

The compensation programs for the Company shall be (a) designed to attract, motivate and retain talented employees responsible for the success of the Company, (b) determined within a competitive framework and (c) based on the achievement of the Company’s overall financial results and individual contributions.

In furtherance of these purposes, the two Compensation Committees will undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe.

2. MEMBERSHIP AND ORGANIZATION

Composition. All Compensation Committee members shall be appointed by, and shall serve at the discretion of, the Board. The two Compensation Committees shall consist of no fewer than three members of the Board each. The Board may designate one member each of the two Compensation Committees as its chair. The two Compensation Committees may form and delegate authority to subcommittees when appropriate. Members of the Executive Compensation Committee must meet the following criteria:

- (a) the independence requirements of the NASDAQ Stock Market, Inc.;
- (b) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended; and
- (c) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

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Meetings and Reports. The two Compensation Committees will meet as often as may be deemed necessary or appropriate, in its judgment, in order to fulfill its responsibilities. They may meet either in person or telephonically. They will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The CEO may not be present during voting or deliberations regarding CEO compensation in the Executive Compensation meetings.

Compensation. Members of the Compensation Committee who are not inside Directors shall receive such fees, if any, for their service as Compensation Committee members as may be determined by the Board in its sole discretion.

3. RESPONSIBILITIES AND DUTIES

The responsibilities and duties of the two Compensation Committees shall include:

Executive Compensation Committee:

- (a) annually reviewing and approving: (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amount, and (iii) the equity compensation, including stock option grants to the Company's employee directors and executive officers, including the CEO. One of the objectives shall be to use compensation to align the interests of the executive officers with the long-term interests of the Company's stockholders, thereby incentivizing management to increase stockholder value;
- (b) reviewing and approving corporate goals and objectives relevant to the compensation of the executive officers, including the CEO, evaluating their performance in light thereof, and considering factors related to the performance of the Company, including accomplishment of the Company's long-term business and financial goals;
- (c) evaluating on a periodic basis, the competitiveness of the compensation of the CEO and the executive officers of the Company;
- (d) acting as Administrator of the Company's Executive Retirement Plan and Employee Stock Purchase Plan.

Compensation Committee:

- (a) annually reviewing and approving for all the other employees of the Company: (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amount, (iii) equity compensation, One of the objectives shall be to use compensation to align the interests of the long-term interests of the Company's stockholders, thereby incentivizing all the other employees to increase stockholder value;
- (b) acting as Administrator of the Company's equity compensation plans for its non-executive employees; providing oversight of the Company's overall compensation plans and benefits programs and making recommendations to the Board with respect to improvements or changes to such plans or the adoption of new plans when appropriate;
- (c) evaluating on a periodic basis, the competitiveness of the compensation of the Company.

Related Duties and Authority of both Committees

- (a) periodically reviewing this Charter and its processes and recommending any proposed changes to the Board of Directors;

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- (b) consulting with the Human Resources Department and, when appropriate, with outside consultants to assist in the evaluation of executive officer compensation and approving the consultant's fees and other retention terms. The Compensation Committee may also obtain advice and assistance from internal or external legal, accounting or other advisors; and
- (c) producing a report on executive compensation for inclusion in the Company's annual proxy statement that complies with the rules and regulations of the Securities and Exchange Commission and any other applicable rules and regulations.

AUDIT COMMITTEE CHARTER

THE BOARD OF DIRECTORS OF AFOP, INC.

PURPOSE

The Audit Committee (the “Committee”) of AFOP, Inc. (the “Company”) is chartered to oversee (1) the integrity of reported financial results, (2) the quality and adequacy of disclosures, (3) the soundness of the Company’s accounting policies and internal controls, (4) Company’s compliance with significant applicable financial, legal, and ethical requirements, (5) the independence and performance of the Company’s external auditors, and (6) communications among the external auditors, financial and senior management, and the board of directors. In performing its role, the Committee shall comply with all Securities and Exchange Commission (“SEC”) and the NASDAQ Stock Market, Inc. (“NASDAQ”) regulations covering audit committees of public corporations. The Company shall provide appropriate funding as determined by the Committee for payment of compensation to the external auditors and any advisors employed by the Committee.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Those tasks are the responsibility of management and the external auditors. The external auditors are ultimately accountable to the Board of Directors through its interaction with the Committee.

The Committee shall undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe. All powers of the Committee are subject to any restrictions imposed by the Company’s Bylaws and applicable law.

MEMBERSHIP

The Committee shall consist of at least three members of the Board of Directors. Each Member (the “Member”), including the Chairperson, shall be appointed annually by, and shall serve at the discretion of the Board of Directors and shall not receive any compensation from AFOP other than compensation for Board or Committee service. At the time of appointment, each Member shall be an independent director, as such term is defined by applicable law, the SEC and NASDAQ, and shall be generally knowledgeable in financial, accounting, and auditing matters and shall be able to read and understand financial statements. In addition, at least one Member shall be a financial expert; as such term is defined by applicable law and the SEC.

DUTIES AND RESPONSIBILITIES

The specific duties and responsibilities of the Committee include the following:

Financial and Auditing Matters

1. The Committee shall have sole responsibility for hiring and firing the external auditors and shall review and approve the scope of the annual audit plan.
2. The Committee shall review and evaluate the external auditors’ qualifications, independence, and performance, taking into account the opinions of Company management.

Exhibit V

3. The Committee shall obtain from the external auditors an annual written communication that is prepared in accordance with Standard No. 1 of the Independence Standards Board delineating all relationships of the external auditors with the Company as well as the nature and extent of the professional advisory services provided to the Company. The Committee shall present its conclusions on the foregoing matters to the board of directors and shall take, or recommend that the full board of directors take, appropriate action to oversee the independence of the external auditors. The Committee shall also approve, in advance, all permissible non-audit services performed by the external auditors. The Committee also shall annually review all non-audit services performed by the external auditors in order to ensure that the audit firm remains independent and objective.
4. The Committee shall direct the activities and review the findings of the external auditors. Upon completion of the annual audit, the Committee shall review the audited financial statements and discuss the results of the audit with the external auditors and management. The review will focus on significant areas including, but not limited to:
 - a. all critical accounting policies and practices, such as the application of the Company's revenue recognition and inventory reserve policies;
 - b. disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
 - c. press releases related to the Company's earnings (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies;
 - d. litigation reserves;
 - e. other significant commitments and contingencies;
 - f. the effect or potential effect of off-balance sheet structures on the Company's financial statements;
 - g. any correspondence with regulators or governmental agencies and any employee complaints that raise material and credible issues regarding the Company's financial statements or accounting policies;
 - h. the accounting treatment for any significant non-routine transactions;
 - i. any new accounting, reporting, or disclosure requirements, the application of those standards to the Company's public filings, and changes in accounting policy or its application; and
 - j. other matters, required by applicable law, the SEC and NASDAQ, or related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
5. The Committee shall obtain timely reports from the external auditors regarding any material written communication between the external auditors and management, such as any management letter or schedule of unadjusted differences.
6. Upon completion of the annual audit, the Committee shall engage in an independent discussion with the external auditors and inquire as to:

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- a. whether there were any difficulties or disputes with management during the audit;
- b. whether there were any accounting or disclosure issues not resolved to the satisfaction of the external auditors;
- c. whether management cooperated with the external auditors during their examination including providing access to all requested information and whether there were any restrictions on the scope of their activities; and
- d. whether there are any other matters that should be discussed with the Committee that have not been raised or covered elsewhere.

7. The Committee shall receive a confidential assessment of the competence of the Company's financial and accounting personnel and any relevant recommendations made by the external auditors. The Committee shall resolve any disagreements between the external auditors and management regarding financial reporting.

8. The Committee shall review the external auditors' assessment of the Company's internal accounting and financial controls and major financial exposures, including those related to risk assessment and risk management, and recommendations and discuss management's responses to those findings.

9. Annually, the Committee shall direct independent assessments of the security and back-up and contingency provisions of the Company's computer systems and discuss management's responses to those assessments.

10. The Committee shall, unless otherwise performed by a comparable body of the board of directors, review and approve all related-party transactions, as such term is defined by the SEC and NASDAQ.

11. The Committee shall review with the Company's legal counsel any legal matters that could have a significant impact on the Company's financial statements.

12. The Committee shall routinely review the Company's foreign exchange exposures and hedging practices, share repurchase activity, and tax planning and compliance activities.

13. The Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and confidential and anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

AUTHORITY

The Committee has the following authority:

1. In discharging its oversight role, the Committee shall have full authority to conduct or authorize any investigation on matters within the scope of the Committee's duties and responsibilities, including matters related to the integrity of reported financial results, the soundness of the Company's accounting policies and internal control systems, and any material illegal act or conflict of interest that could jeopardize the Company's control systems or the integrity of its financial statements and disclosure.

Exhibit V

2. The Committee shall have the sole authority to appoint, approve the compensation for, and oversee the external auditors or to terminate their contract(s)..
3. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting, or other advisors regarding matters within the Committee's duties and responsibilities.
4. The Committee shall have the authority to engage and approve the compensation and other retention terms for independent counsel and other advisors as necessary to perform its duties and responsibilities.

CONDUCT OF BUSINESS

The Committee shall conduct its business in accordance with this Charter and any direction by the Board. The Committee is expected to maintain free and open communication with the external auditors, financial and senior management, and the Board of Directors. This communication shall include private executive sessions, at least annually, with each of these parties.

The Committee shall report, at least annually, to the Board. The Committee chairperson shall also report on the Committee activities to the full Board.

MEETINGS

The Committee shall meet, either in person or via telephonic conference, on a regular basis, at least quarterly, or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

MINUTES

The Committee shall maintain written minutes of its meetings and shall file such minutes with the minutes of the meetings of the Board of Directors.