

**CORPORATE GOVERNANCE POLICY
OF THE
BOARD OF DIRECTORS OF
SUNRISE TELECOM INCORPORATED**

The Board of Directors (the “Board”) of Sunrise Telecom Incorporated (the “Company”) has adopted this Corporate Governance Policy to assist it in following corporate practices that serve the best interests of the Company and its stockholders. The Board intends that this Corporate Governance Policy serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. This Corporate Governance Policy should be interpreted in the context of all applicable laws, the Company's Certificate of Incorporation, Bylaws and other governing legal documents.

A. Composition of the Board

1. Size and Classification of the Board

The Company’s Bylaws provide that the authorized number of directors shall be fixed from time to time by a resolution adopted by the Board or stockholders and that the directors be divided into three classes, designated as Class I, Class II and Class III, with one class of directors elected by the stockholders at each annual meeting to serve until the third succeeding annual meeting of stockholders. Consistent with the Company's Bylaws, the Board believes that the size of the Board generally should be within a range of five (5) to seven (7). A larger size may be appropriate from time to time in order to accommodate the availability of one or more outstanding candidates.

2. Board Membership Criteria

The Corporate Governance/Nominating Committee is responsible for articulating and refining criteria for Board membership to supplement the general criteria set forth in its charter and this policy. Also, the Corporate Governance/Nominating Committee is responsible for evaluating on an ongoing basis all directors and director candidates based on such general and specific criteria and for seeking to assure that specific talents, skills, experience and other characteristics that are needed to increase the Board's effectiveness are possessed by an appropriate combination of directors.

3. Proportion and Determination of Independent Directors

The Board believes that as a matter of policy, Independent Directors should comprise at least a majority of the Company's Board. This will not, however, prevent the Board from taking valid actions if, due to a temporary vacancy or vacancies on the Board, there are fewer than the intended proportion of Independent Directors. Any such vacancies should be filled as soon as reasonably practicable, but in any event by the earlier of the Company’s next annual stockholder’s meeting or one year. In determining the independence of a director, the Board will apply the definition of “Independent Director” according to NASDAQ Stock Market Rule 4200 and other applicable laws and regulations, as amended from time to time.

4. Selection of Directors

Each Board member serves at the will of the Company stockholders as indicated by the Board member’s successful election by the stockholders to a three-year term. The Board and the Corporate Governance/Nominating Committee should be responsible for selecting members of the Board and in recommending them for election by the stockholders. The Board has delegated the initial evaluation and selection of potential directors to the Corporate Governance/Nominating Committee, which searches, evaluates and recommends candidates to the Board as nominees to stand for election by the Company’s stockholders. The Board and the Company also shall consider nominations to stand for election to the Board by stockholders properly submitted by the Company’s stockholders in accordance with the procedures set forth in the Company’s Bylaws.

The Board shall be responsible for determining the qualification of an individual to serve on the Audit Committee as a designated "audit committee financial expert," as defined by applicable rules of the SEC under Section 407 of the Sarbanes-Oxley Act. In light of this responsibility of the Board, the Corporate Governance/Nominating Committee shall coordinate closely with the Board in screening any new candidate and in evaluating whether to re-nominate any existing director who may serve in this capacity.

The invitation to join the Board should be extended by the Board itself, through its Chairman if he or she is an Independent Director and/or the Chairman of the Corporate Governance/Nominating Committee, together, if not, in each case, with the Chief Executive Officer of the Company.

5. No Pre-Determined Term Limits

The Board does not believe it should limit or set a term for a director's service. Directors who have served on the Board for an extended period of time may be able to provide valuable insight into the operations and future of the Company with their experience. In addition, the Board values stability in service to the Company by the Company's directors. The Board believes that a Board member's long exposure to his or her fellow Board members, the Company's culture, industry, customers and competitors is in the best interest of the Company's stockholders. In lieu of pre-determined term limits for directors, the Corporate Governance/Nominating Committee may evaluate each director's continued services on the Board in connection with each annual decision regarding whether such director should be re-nominated to the Board and at such other times as may be appropriate in particular circumstances. In connection with each annual decision regarding re-nominations, each director should be given an opportunity to confirm his or her desire to continue as a member of the Board.

6. Retirement Age

A retirement age of 70 is generally considered appropriate for the Company's directors, but the Board may decide to defer retirement on an annual basis in appropriate circumstances after a director reaches age 70.

B. Board Leadership

1. Selection of Chairman and Chief Executive Officer

The Board should have flexibility to decide whether it is best for the Company at a given point in time for the roles of the Chief Executive Officer and Chairman of the Board to be separate or combined and, if separate, whether the Chairman should be selected from the Independent Directors or be an employee.

2. Presiding Independent Director

Whenever the Chairman of the Board is not an Independent Director, the Independent Directors may (a) select from among themselves a continuing Presiding Independent Director who will preside at one or more separate meetings of the "Non-Management Directors" (which will include the Independent Directors and any other directors who are not officers of the Company even though they may have another relationship to the Company or its management that prevents them from being Independent Directors) held pursuant to Section G.5 of this policy or (b) adopt a procedure for selecting from among themselves a specific Presiding Independent Director to preside at each such separate meeting. Such Presiding Independent Director also may be responsible for representing the Non-Management Directors with respect to certain matters as to which the views of the Non-Management Directors are sought pursuant to specific provisions of this policy or otherwise in a manner consistent with this policy and with such responsibilities that the Independent Directors as a whole might designate from time to time.

C. Board Compensation and Performance

1. Board Compensation Review

It is appropriate for management to report once a year to the Compensation Committee regarding the status of the Company's Board compensation in relation to other comparable U.S. companies. As part of a director's total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a director's compensation should be provided in, or otherwise based on, the value of/long-term appreciation in the Company's common stock. Directors are entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at Board and committee meetings.

Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

2. Assessing the Performance of the Board as a Whole

The Corporate Governance/Nominating Committee has authority to periodically assess the performance of the Board as a whole. Any such assessment will be discussed with the full Board. This assessment should specifically review areas in which the Board and/or management believes a better contribution could be made. The purpose of the assessment is to increase the effectiveness of the Board as a whole and not to focus on individual Board members.

D. Board of Directors' Responsibilities

The Company's Board of Directors represents the stockholders' interest in perpetuating a successful business and optimizing long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations. The Board is responsible for identifying and taking reasonable actions to help assure that the Company is managed in a way designed to achieve this result. Consistent with the importance of the Board's responsibilities, each director is expected to be familiar with the Company's business and public disclosures, to review in advance of Board meetings all related materials distributed to the Board and to attend and participate in meetings of the Board and meetings of any committee of which such director is a member.

1. Selection, Evaluation and Retention of Chief Executive Officer and Oversight of Selection and Performance of Other Executive Officers

The Board, with assistance from the Corporate Governance/Nominating Committee and the Compensation Committee, has the responsibility to select, evaluate the performance of and make decisions about the retention of the Chief Executive Officer, to oversee the selection and evaluation of the performance of other executive officers, to plan for management succession, and to monitor on a regular basis the effectiveness and execution of management strategies and decisions in optimizing the Company's long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations.

2. Understanding, Reviewing and Monitoring Implementation of Strategic Plans and Annual Operating Plans and Budgets

The Board is responsible for overseeing and understanding the Company's strategic plans from inception through development and execution and should regularly monitor implementation of such plans to determine whether they are being implemented effectively and whether any changes are needed. The Board also is responsible for overseeing and understanding the Company's annual operating plans and annual budgets and for monitoring whether these plans are being implemented effectively and within budgetary limits.

3. Selection and Oversight of Independent Auditors; Oversight of Financial Statements

The Audit Committee of the Board has sole responsibility to appoint, compensate and replace the Company's

independent accounting firm that audits the Company's financial statements and to pre-approve the engagement terms and the provision of any audit and non-audit services performed by such accounting firm for the Company. The Audit Committee will have direct responsibility, and the Board will have a corresponding and supplemental responsibility, for monitoring the performance of such accounting firm and guarding against any compromise of its independence, as well as overseeing the financial statements prepared by management, with the goal of assuring that they fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable way.

4. Advising Management on Significant Issues

The Board is responsible for utilizing the broad range of experiences and perspectives of directors to advise and counsel management, both in meetings and in informal consultations, on significant issues facing the Company.

5. Review and Approval of Significant Company Actions and Certain Other Matters

The Board is responsible under state corporate law to review and approve significant actions by the Company, including election of executive officers, declaration of dividends and major transactions. In addition, the Board is responsible for approving certain actions by the Company as set forth in this policy and any other Company policies that may be adopted from time to time by the Board, or as otherwise required by the Company's Certificate of Incorporation, Bylaws, applicable state law and any applicable national securities association or national securities exchange on which the Company's securities are traded.

6. Nominating Directors and Committee Members and Overseeing Effective Corporate Governance

The Board and the Corporate Governance/Nominating Committee are responsible for (a) evaluating and nominating directors and members of Board committees, (b) overseeing the structure and practices of the Board and the committees and (c) overseeing other corporate governance matters, as more fully set forth in this policy and the charter of the Corporate Governance/Nominating Committee.

7. Consideration of Other Constituencies

In addition to fulfilling its obligation to increase stockholder value, the Board should consider the impact of various actions and decisions on the Company's customers, employees, suppliers and the communities where it operates all of whom are essential to a successful business.

E. Management's Responsibilities

Management is responsible for operating the Company in an effective, ethical and legal manner designed to produce value for the Company's stockholders consistent with the Company's policies and standards, including this policy. Management also is responsible for enforcing and complying with mandatory provisions of the Company's policies and standards.

1. Financial Statements and Disclosures

Management is responsible for producing, under the oversight of the Board and the Audit Committee, financial statements that fairly present the Company's financial condition, results of operations, cash flows and related matters in a clear and understandable way, for making timely and complete disclosures to investors, and for keeping the Board and the appropriate committees of the Board well-informed on a timely basis as to all matters of significance to the Company.

2. Strategic Planning

The Chief Executive Officer and senior management are responsible for developing and presenting to the Board the Company's strategic plans and for implementing those plans as approved by the Board.

3. Operating Plans and Budgets

The Chief Executive Officer and senior management are responsible for developing and presenting to the Board the Company's operating plans and budgets and for implementing those plans and budgets as approved by the Board.

4. Effective Management and Organizational Structure

The Chief Executive Officer and senior management are responsible for selecting qualified members of management and for implementing and working within an effective organizational structure appropriate for the Company's particular circumstances.

5. Setting a Strong Ethical "Tone at the Top"

The Board and senior management are responsible for setting a "tone at the top" of integrity, ethics and compliance on the part of all persons associated with the Company, with applicable legal requirements and with the Company's policies and standards.

6. Internal Controls and Procedures

Senior management is responsible for developing, implementing and monitoring an effective system of internal controls and procedures to provide reasonable assurance that the Company's transactions are properly authorized; the Company's assets are safeguarded against unauthorized or improper use; and the Company's transactions are properly recorded and reported. Such internal controls and procedures also shall be designed to permit preparation of financial statements for the Company in conformity with generally accepted accounting principles or any other criteria applicable to such statements.

7. Disclosure Controls and Procedures

Senior management is also responsible for establishing, maintaining and evaluating the Company's "disclosure controls and procedures." The term "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including its principal executive and financial officers, to allow timely decisions regarding required disclosure.

F. Board Relationship to Senior Management

1. Board Access to Company Information

The Board and its committees shall have complete access to any information about the Company that it deems necessary or appropriate to carry out its duties. The Board (meeting as a whole, as well as the Non-Management Directors meeting separately and each director individually) and each Board committee will have complete access to the Company's employees (senior management, in particular), documents and the Company's facilities.

The Board encourages the executive officers to bring non-executive managers to Board meetings, from time to time, who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, or (b) represent non-executive managers with future potential that the senior management believes should be given exposure to the Board.

2. Board's Interaction with Institutional Investors, Press and Customers

The Board believes that the Company's management has the authority and responsibility to provide the public spokesperson for the Company. Individual members of the Board may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board or any Independent Director who is then serving as a Presiding Independent Director.

G. Meeting Procedures

1. Attendance at Board Meetings.

The Board generally has four regularly scheduled meetings each fiscal year, plus special meetings as required. 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 shall make every effort to attend each Board or committee meeting, as appropriate, in person but in special circumstances via telephone conference call or other electronic means.

2. Time Commitment and Board Service.

Each Board member is expected to ensure that his or her other existing and planned future commitments do not materially interfere with such member's service on the Board.

3. Selection of Agenda Items for Board Meetings

The Chairman of the Board and the Chief Executive Officer (if the Chairman is not the Chief Executive Officer) will establish the agenda for each Board meeting and will include in each such agenda any item submitted by any Board member.

4. Board Materials Distributed in Advance

Management shall be responsible for assuring that, as a general rule, information and data that are important to the Board's understanding of the Company's business and to all matters expected to be considered and acted upon by the Board be distributed in writing to the Board sufficiently in advance of each Board meeting and each action to be taken by written consent to provide the directors a reasonable time to review and evaluate such information and data. Management will make every attempt to see that this material is as concise as feasible, while still providing sufficient information to permit the Board to be appropriately informed of material matters to be considered at each Board meeting or other Board action.

It is recognized that circumstances will arise when it is not feasible to provide information relating to certain agenda items sufficiently in advance of a Board meeting or an action to be taken by written consent. In such event, reasonable steps shall be taken (which may include extending the length of the Board meeting to allow more discussion, adjourning the meeting for a brief period to allow directors time to review such information, deferring a vote until a follow-up telephonic meeting, or other measures as appropriate) to permit the directors to become reasonably informed as to the matter before voting on it.

As a general rule, presentations on specific subjects also should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to distribute in written form, there will be an opportunity for full discussion of the presentation at the meeting.

5. Separate "Executive Session" Meetings of Non-Management Directors

The Non-Management Directors/Independent Directors shall meet separately from the other directors in regularly scheduled executive sessions, without the presence of management directors or executive officers of the Company

(except to the extent the Non-Management/ Independent Directors request the attendance of any executive officers). Such regularly scheduled separate meetings shall be held at such times as may be determined by the Chairman of the Board (if he or she is an Independent Director) or by any Independent Director then serving as a Presiding Independent Director.

H. Committee Matters

1. Number, Structure and Independence of Committees

The Board shall have an Audit Committee, a Compensation Committee and a Corporate Governance/Nominating Committee, which shall each consist solely of Independent Directors. Each Committee shall have a written charter, approved by the Board, which describes the Committee's general authority and responsibilities. In addition, the Board may, from time to time appoint one or more additional Committees. Any additional committee shall have at least enough Independent Directors to satisfy the same proportion of Independent Directors to non-Independent Directors that applies to the entire Board pursuant to Section A.3 where required, subject to the same flexibility contained in such section to take effective actions when such proportion is not satisfied due to temporary vacancies. If and when the Board appoints any such additional committee, the Board shall, by resolution or otherwise, clearly define in writing the responsibilities of such committee.

2. Assignment of Committee Members

The Corporate Governance/Nominating Committee is responsible, after consultation with the Chief Executive Officer and with consideration of the desires of individual Board members, for the recommendation to the full Board for the assignment of Board members to various committees.

3. Frequency and Length of Committee Meetings

Subject to any requirements in the applicable committee charter regarding the frequency of committee meetings, each committee chairman, in consultation with committee members, will determine the frequency and length of the meetings of the committee.

4. Committee Agenda, Background Materials and Reports

The Chairman of each Board committee, in consultation with committee members, the appropriate members of management and staff, will develop the committee's agenda.

Management will be responsible for assuring that, as a general rule, information and data that are important to the committee's understanding of the matters within the committee's authority and the matters to be considered and acted upon by a committee are distributed to each member of such committee sufficiently in advance of each such meeting or action taken by written consent to provide a reasonable time for review and evaluation of such information and data. The other provisions applicable under Section G.4 of this policy regarding distribution of Board materials in advance shall apply equally to distribution of committee materials in advance. The agenda for each committee meeting shall be distributed to other members of the Board at the same time that it is distributed to committee members.

At each Board meeting, the chairman of each committee or his or her delegate shall report the matters considered and acted upon by such committee at each meeting or by written consent since the preceding Board meeting, except to the extent covered in a previous written report to the full Board, and shall be available to answer any questions the other directors may have regarding the matters considered and actions taken by such committee.

I. Miscellaneous

1. Resources

The Board (and Board committees to the extent so provided in the applicable committee charters or otherwise authorized by the Board) may use reasonable amounts of time of the Company's internal and independent accountants, internal and outside lawyers and also shall have the authority to hire independent accounting experts, lawyers and other consultants to assist and advise the Board (and any of its committees that are authorized to seek such advice and assistance) in connection with its responsibilities. The Board (and any such committees) shall keep the Company's Finance and Legal Departments advised as to the general range of anticipated expenses for outside consultants hired by the Board (or such committees). Except as otherwise provided in the charter of the Audit Committee, formal Board approval (in advance or after-the-fact) shall be required for expenditures by the Board and the committees (other than the Audit Committee) exceeding an aggregate of \$10,000.00 in any year or, in the case of committee expenditures, exceeding any limits applicable to the specific committee.

2. Reliance

Each director is entitled to rely in good faith on (1) corporate records, corporate officers, corporate employees or board committees or (2) any other person selected with reasonable care as to matters reasonably believed to be within the person's professional or expert competence. The Board shall assess the qualifications of all such persons on whom it relies, shall inquire as to the processes used by such persons to reach their decisions, prepare their reports and make their recommendations and also shall inquire as to the substance of such matters, and shall hold such persons accountable for any follow-up reasonably needed to satisfy the Board.

3. Director Orientation and Continuing Education

Each new director shall be given a thorough orientation with respect to his or her duties as a director, including: (a) copies of this policy; (b) meeting with the Company's General Counsel and Secretary and Corporate Governance/Nominating Committee; and (c), except to the extent unnecessary for any director who is an executive officer of the Company, background material with respect to the Company, its business and issues of particular significance to the Company, meetings with the senior management and visits to Company facilities. Each new director and each new member of any Board committee also shall cooperate in fulfilling any additional orientation guidelines that may be recommended generally or on an ad hoc basis by the Corporate Governance/Nominating Committee to help assure that such director has the necessary skills to perform his or her responsibilities as a director and/or new member of any Board committee.

Each director also shall cooperate in fulfilling all applicable continuing education guidelines established and periodically updated by the Corporate Governance/Nominating Committee.

4. Disclosure of this Policy

This policy will be posted on the Company's Web site and also will be available in print to any stockholder requesting it. Such availability on the Company's Web site and in print will be noted in the Company's periodic reports with the SEC.

5. Related Party Transactions.

Any related party transactions, excluding compensation (whether cash, equity or otherwise), 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 by a majority of the independent directors.

6. Code of Business Conduct and Ethics

The Company will maintain, and the Audit Committee will oversee compliance with, a code of business conduct and ethics. Such code may be modified and replaced from time to time by the Audit Committee. This code of business conduct and ethics will be posted on the Company's Web site and also will be available in print to any stockholder requesting it. Such availability on the Company's Web site and in print will be noted in the Company's periodic reports with the SEC.