

## **ENDWAVE CORPORATION -- CHARTER OF THE AUDIT COMMITTEE**

### **PURPOSE AND POLICY**

The purpose of the Audit Committee of the Board of Directors of Endwave Corporation, a Delaware corporation (the "Company"), shall be to provide assistance and guidance to the Board in fulfilling its oversight responsibilities to the Company's stockholders with respect to the Company's corporate accounting and reporting practices as well as the quality and integrity of the Company's financial statements and reports. The Audit Committee shall also provide oversight assistance in connection with legal and ethical compliance programs as established by management and the Board. The policy of the Audit Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication between the Audit Committee and the independent auditors, the Company's financial management and internal auditors.

### **COMPOSITION AND ORGANIZATION**

The Audit Committee shall consist of at least three members of the Board of Directors. The members of the Audit Committee shall satisfy the independence and experience requirements of the Nasdaq National Market applicable to Audit Committee members. To the extent mandated by the requirements of the Nasdaq National Market and the Securities Exchange Act of 1934, as amended, at least one member of the Audit Committee shall be a "financial expert" within the meaning of such requirements.

The Audit Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Audit Committee shall be prepared and distributed to each director of the Company promptly after each meeting. The operation of the Audit Committee shall be subject to the Bylaws of the Company as in effect from time to time and Section 141 of the Delaware General Corporation Law.

### **AUTHORITY**

The Audit Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Audit Committee shall have authority to retain, at the Company's expense, special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Audit Committee shall have authority to request that any of the Company's outside counsel, outside auditors or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Audit Committee or meet with any member of the Audit Committee or any of its special legal, accounting or other advisors and consultants.

### **RESPONSIBILITIES**

The primary responsibility of the Audit Committee shall be to oversee the Company's financial reporting process (including the outside auditors) on behalf of the Board and to report the results of these activities to the Board. It shall be the responsibility of management to prepare the financial statements and the responsibility of the outside auditors to audit those

financial statements and for reviewing the Company's unaudited interim financial statements. These functions shall not be the responsibility of the Audit Committee, nor shall it be the Committee's responsibility to ensure that the financial statements are complete and accurate or conform to generally accepted accounting principles.

In fulfilling its responsibilities, the Audit Committee believes that its functions and procedures should remain flexible in order to address changing conditions most effectively. To implement the policy of the Audit Committee, the Committee shall be charged with the following functions and processes, with the understanding, however that the Committee may supplement or deviate from these activities as appropriate under the circumstances:

1. To evaluate the performance of the Company's outside auditors, to consider their qualifications (including their internal quality-control procedures and any material issues raised by that firm's most recent internal quality-control or peer review or any investigations by regulatory authorities) and to determine whether to retain or to terminate the firm of certified public accountants employed by the Company as its outside auditors for the ensuing year, which retention shall be subject only to ratification by the Company's stockholders.
2. To review and approve the engagement of the outside auditors, including the scope of and plans for the audit, the adequacy of staffing and the compensation to be paid to the auditors.
3. To review and approve the retention of the Company's outside auditors to perform any proposed permissible non-audit services, including the compensation to be paid therefor, authority for which may be delegated to one or more Committee members, provided that all approvals of non-audit services pursuant to this delegated authority be presented to the full Committee at its next meeting.
4. To monitor the rotation of the outside audit partner with primary responsibility for the audit and the outside audit partner responsible for review of the audit as required by applicable law.
5. At least annually, to receive written statements from the outside auditors delineating all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1, to consider and discuss with the auditors any disclosed relationships or services that could affect the auditors' objectivity and independence and otherwise to take, and if so determined by the Audit Committee, to recommend that the Board take, appropriate action to oversee the independence of the auditors.
6. To consider and, if deemed appropriate, adopt a policy regarding committee preapproval of employment by the Company of individuals formerly employed by the Company's outside auditors.
7. To review, upon completion of the audit, the financial statements and disclosures to be included in the Company's Annual Report on Form 10-K.
8. To discuss with the outside auditors and management, as appropriate, the results of the annual audit, including the auditors' assessment of the quality, not just acceptability, of

accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any audit adjustments noted or proposed by the outside auditors (whether "passed" or implemented in the financial statements), the nature of significant risks and exposures, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the outside auditors under Statement on Auditing Standards No. 61.

9. To discuss with management and the outside auditors the results of the auditors' review of the Company's quarterly financial statements, prior to release of earnings, to the extent practicable, or filing of the Company's Quarterly Report on Form 10-Q, and any other matters required to be communicated to the Committee by the outside auditors under Statement on Auditing Standards No. 61. The Chair of the Committee may represent the entire Committee for purposes of this discussion.

10. To discuss with management and the outside auditors, as appropriate, the Company's disclosures contained in earnings press releases and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its periodic reports to be filed with the Securities and Exchange Commission, prior to their filing.

11. To review with management and the outside auditors major issues that arise regarding accounting principles and financial statement presentations, including the adoption of new, or material changes to existing, critical accounting policies or to the application of those policies, the potential effect of alternative accounting policies available under GAAP, the potential impact of regulatory and accounting initiatives and any other significant reporting issues and judgments.

12. To review and discuss with management and the outside auditors, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures.

13. To evaluate the cooperation received by the outside auditors during their audit examination, including any restrictions on the scope of their activities or access to required records, data and information.

14. To review with the outside auditors any management letter provided by the auditors and management's response, if any, to such letter.

15. To resolve any conflicts or disagreements between management and the outside auditors regarding financial reporting, accounting practices or policies.

16. To confer with the outside auditors and with the senior management of the Company regarding the scope, adequacy and effectiveness of internal accounting and financial reporting controls in effect (including any special audit steps taken in the event of material control deficiencies).

17. To confer with the outside auditors and senior management in separate executive sessions to discuss any matters that the Audit Committee, the outside auditors or senior management believe should be discussed privately with the Audit Committee.
18. To consider and review with management, the outside auditors, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements and accounting policies.
19. To establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
20. To direct counsel, the outside auditors and management to brief the Committee on significant regulatory or other legal or accounting matters that could have a material impact on the Company's financial statements, compliance programs and policies and to discuss any such matters brought to the Committee's attention with counsel, the outside auditors or management, as appropriate.
21. To review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and regulations, as well as to its Code of Ethical Conduct, including review and approval of insider and affiliated-party transactions.
22. To investigate any matter brought to the attention of the Audit Committee within the scope of its duties, with the power to retain outside counsel and a separate accounting firm for this purpose if, in the judgment of the Audit Committee, such investigation or retention is necessary or appropriate.
23. To prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
24. To review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.
25. To report to the Board of Directors with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Company's independent auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so.
26. To perform such other functions and to have such powers as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.