

**FARGO ELECTRONICS, INC.**  
**AUDIT COMMITTEE CHARTER**

**Organization**

This charter governs the operations of the Fargo Electronics, Inc. Audit Committee (the “committee”). The committee shall review and reassess the charter annually and submit changes to the board of directors for approval. The committee shall be appointed by the board of directors and shall serve until their successors are appointed and qualify. Each committee member may be removed by the Board at any time. The committee shall be comprised of at least three directors, each of whom shall be independent as required by Section 10A(m) of the Securities Exchange Act of 1934 (the “Exchange Act”), as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder, and the rules of the Nasdaq Stock Market, Inc. (the “Nasdaq Rules”).

All members of the committee shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and otherwise meet any qualifications for members of an audit committee pursuant to Nasdaq Rules. At least one member of the committee must be an “audit committee financial expert,” as defined in rules promulgated under the Exchange Act.

**Statement of Policy**

The audit committee is a committee of the board of directors. The committee’s primary function is to provide assistance to the board of directors in fulfilling its oversight responsibility to the shareholders relating to the Company’s annual and quarterly financial statements provided to shareholders and the Securities and Exchange Commission (the SEC), the financial reporting process and the systems of internal accounting and financial controls, which management has established, and the annual independent audit of the Company’s financial statements. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors and management of the Company.

The committee should have a clear understanding with the independent auditors that the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditors, and that the ultimate accountability of the independent auditors is to the Audit Committee and to the Board of Directors. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention by the auditors, an employee, the disclosure committee of the Company, the CEO, the CFO or any outside party with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose. The committee will make regular reports to the Board of Directors concerning its activities.

**Responsibilities and Processes**

The committee shall have the sole authority to appoint or replace the independent auditors, and shall pre-approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the committee. In its capacity as a committee of the board, the committee shall be directly responsible for the appointment, determination of compensation of, retention and oversight of the work of the independent auditors (including the resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent auditors shall report directly to the committee. The committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties and to conduct or authorize investigations into any matters within its scope of responsibilities. The Company will provide funding for the

payment of the fees and expense of such special legal, accounting or other consultants and for the ordinary administrative expense of the committee. The committee shall meet periodically with the independent auditors in separate executive sessions in furtherance of its purpose.

The primary responsibility of the committee is to provide assistance to the board of directors in fulfilling its oversight responsibility concerning the Company's financial reporting process and report the results of their activities to the board. While the committee has the responsibilities and powers set forth in this charter, it is not the duty of the committee to prepare financial statements, 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 and applicable rules and regulations. These are the responsibilities of management and the independent auditors, as applicable.

The following shall be the principal recurring processes of the audit committee in carrying out its oversight responsibilities. The committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The following processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

- The committee shall have a clear understanding with management and the independent auditors that the independent auditors report to the board and the audit committee, as representatives of the Company's shareholders. The committee shall review and discuss with the auditors (a) their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board Standard No. 1, (b) the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, and as amended by SAS No. 90, and (c) the independence requirements for auditors of the Sarbanes-Oxley Act. Annually, the committee shall review and recommend to the board the selection of the Company's independent auditors.
- The committee shall review and discuss with the independent auditors (a) all critical accounting policies and practices, used by the Company; (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management.
- The committee shall review and discuss with management and the independent auditors, as applicable (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (b) any significant matters regarding internal controls over financial reporting that come to the attention of the independent auditors during the conduct of their audit; (c) any problems, difficulties or differences encountered in the course of audit work, including any disagreements with management or restrictions on the scope of the independent auditors' activities or on access to requested information and management's response thereto; and (d) any management letter provided by the independent auditors and the Company's response to that letter.
- The committee shall establish procedures regarding the receipt, retention and treatment of complaints and other concerns received from employees or others regarding accounting, internal control or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The committee shall discuss with the independent auditors the overall scope and plan for their respective audits, including the adequacy of staffing and compensation.

- The committee will meet prior to the quarterly press release, either telephonically or in person, and discuss the results of the review of the interim quarterly financial statements and any other matters required to be communicated to the audit committee by the independent auditors under generally accepted auditing standards. The committee shall meet, either telephonically or in person, with management and the independent auditors to discuss the financial statements, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," to be included in the Company's Quarterly Report on Form 10-Q.
- The committee shall review with management and the independent auditors the financial statements, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including the judgment of management and the independent auditors about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.
- The committee shall review and discuss with management and the independent auditors the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- The committee shall provide a report in the Company's annual proxy statement as required by the Securities and Exchange Commission.

### **Indemnification**

The committee members will be indemnified by the Company to the maximum extent provided under Delaware law or in accordance with any indemnification agreements between the Company and such committee members.

Last Revised: December 7, 2004