



## **GLENAYRE TECHNOLOGIES, INC.**

### **AUDIT COMMITTEE CHARTER**

#### **General Purpose**

The Audit Committee (“Committee”) shall provide assistance to the Board of Directors of the Corporation in fulfilling their responsibility to stockholders, potential stockholders and the investment community in monitoring (a) the accounting and reporting practices of the Corporation, (b) the systems of internal accounting and financial controls, (c) the Corporation’s compliance with legal and regulatory requirements related to financial reporting, (d) the qualifications and independence of the Corporation’s independent auditor, (e) the performance of the Corporation’s internal audit function and independent auditor and (f) the quality and integrity of the financial reports of the Corporation.

#### **1. Major Committee Responsibilities.**

- 1.1.** Providing an open avenue of communication between the independent auditor, Finance management, Internal Auditing, and the Board of Directors; reporting Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
- 1.2.** Having sole authority to appoint, approve the compensation of, evaluate and provide oversight of the independent auditor, subject only to stockholder ratification of the appointment.
- 1.3.** Pre-approving, by the Committee’s defined process, all audit and non-audit services provided by the independent auditor, confirming annually the independence of the independent auditor, reviewing quarterly the independent auditor’s non-audit services and related fees, and not engaging the independent auditors to perform specific non-audit services proscribed by law or regulation.
- 1.4.** Reviewing and approving the appointment or change in the Internal Auditor. The Internal Auditor means that person functioning in the most senior Internal Audit capacity.
- 1.5.** Inquiring of Finance management, the Internal Auditor and the independent auditor about significant risks or exposures to the

Corporation and assessing the steps management has taken to minimize and manage such risks or exposures to the Corporation.

- 1.6.** Reviewing with the Internal Auditor, the independent auditor and Finance management the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed independent auditor of the Corporation.
- 1.7.** Considering and reviewing with the independent auditor and the Internal Auditor at least annually:
  - 1.7.1 The adequacy of the Corporation's internal controls including computerized information system controls and security.
  - 1.7.2 Any related significant findings and recommendations of the independent auditor and internal audit together with management's responses thereto.
- 1.8.** Reviewing with Finance management and the independent auditor at the completion of the annual audit:
  - 1.8.1 The Corporation's annual financial statements and related footnotes.
  - 1.8.2 The independent auditor's audit of the financial statements and its report thereon.
  - 1.8.3 Any significant changes required in the independent auditor's audit plan.
  - 1.8.4 Any difficulties or disputes with management encountered during the course of the audit.
  - 1.8.5 Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.
- 1.9.** Considering and reviewing with Finance management and the Internal Auditor:
  - 1.9.1 Significant findings during the year and management's responses thereto.

- 1.9.2 Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
- 1.9.3 Any changes required in planned scope of their audit plan.
- 1.10.** Overseeing the financial reporting process and reviewing the periodic reports of the Corporation with Finance management, the Internal Auditor and the independent auditor prior to filing of the reports with the Securities and Exchange Committee (“SEC”).
- 1.11.** Establishing procedures for the receipt, retention and treatment of comments and complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the anonymous submission by employees regarding questionable accounting matters.
- 1.12.** Participation by the Committee Chair in a meeting (in person or telephonic) among Finance management and the independent auditor prior to earnings release.
- 1.13.** Reviewing legal and regulatory matters that may have a material impact on the Corporation’s financial statements.
- 1.14.** In connection with each periodic report of the Corporation, reviewing:
  - 1.14.1 Management’s disclosure to the Committee under Section 302 of the Sarbanes-Oxley Act.
  - 1.14.2 The contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Act.
- 1.15.** Providing a report in the annual proxy that includes the Committee’s review and discussion of matters with management and the independent auditor.
- 1.16.** Reviewing with Finance management any significant changes to Generally Accepted Accounting Principles (“GAAP”) and/or other applicable financial policies and standards.
- 1.17.** Reviewing with Finance management and the independent auditor at least annually the Corporation’s critical accounting policies and practices,

and all alternative treatments of financial information within GAAP that have been discussed with management.

- 1.18.** At least annually, obtaining and reviewing a report by the independent auditor describing:
  - 1.18.1 The independent auditor's internal quality control procedures.
  - 1.18.2 Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
  - 1.18.3 All relationships between the independent auditor and the Corporation in order to assess the auditing firm's independence.
- 1.19.** Meeting with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believes should be discussed privately with the Committee.
- 1.20.** Meeting with the Internal Auditor in executive session to discuss any matters that the Committee or the Internal Auditor believes should be discussed privately with the Committee.
- 1.21.** Meeting with Finance management in executive sessions to discuss any matters that the Committee or Finance management believes should be discussed privately with the Committee.
- 1.22.** Conducting or authorizing investigations into any matters within the Committee's scope of responsibilities and in connection therewith, having full access to all books, records, facilities, and personnel of the Corporation, and retaining independent counsel, accountants or others to assist it in the conduct of any investigation.
- 1.25.** Performing such other functions as assigned by law, the Corporation's Certificate of Incorporation or bylaws, or reasonably required by the Board of Directors.
- 1.26.** Reviewing the adequacy of this Charter and recommending any changes to the Board of Directors for approval.

## 2. Committee Composition.

- 2.1. *Size of Committee.*** The Committee shall be composed of at least three Directors.
- 2.2. *Proportion of Independent Directors.*** All members of the Committee will be independent.
- 2.3. *Definition of Independence.*** The definition of “independence” for members of the Committee shall be the same as the definition of “independence” for Directors as contained in the Board of Directors Charter, provided that in addition to such requirements, for a Committee member to be “independent,” (a) neither the Committee member nor any member of his “Family” (as defined in Board of Directors Charter) shall have, during the last five years, received payments (including political contributions) from the Corporation or its affiliates except compensation for Board service (including service on Board Committees) and (b) the Committee member shall not own or control 20% or more of the Corporation’s voting securities or such lower standard as may be established by the SEC.
- 2.4. *Term Limits.*** Committee members will serve for a term of one year or the unexpired portion of the term of the Committee member who resigned or was removed if that unexpired portion is less than one year. Committee membership will be reviewed and assigned based on the results of the annual Committee and Director evaluations. There is no limit on the number of terms that a Director may serve as a member of the Committee.

## 3. Selection of Committee Members.

- 3.1. *Selection Criteria.*** In addition to the qualifications required of all Directors, the Committee collectively should have experience with or knowledge of accounting, auditing, business, and SEC requirements. At least one member will be a “financial expert” as defined by applicable SEC rules.
- 3.2. *Commitment.*** Committee members must be able to commit the requisite time for preparation and attendance at regularly scheduled Committee meetings, as well as be able to devote time and attention to other matters deemed necessary for good corporate governance. Each Committee member is expected to become familiar with the Committee’s responsibilities. Accordingly, each member should have: (a) knowledge of the primary industries in which the Corporation operates; (b) the ability

to read and understand fundamental financial statements, including the balance sheet, income statement, statements of cash flow and key performance indicators; and (c) the ability to understand key business and financial risks and related controls and control processes.

**3.3. *Independence.*** The independence (as defined in Section 2.3) of each individual considered for membership on the Committee shall be taken into account in order to satisfy Section 2.2.

**3.4. *Appointment; Removal.*** All members of the Committee shall be appointed by the Board of Directors. The Committee Chair will be appointed by the Board of Directors. Any Committee member may be removed by action of the Board of Directors at any time for any reason.

**3.5. *Resignations.*** Any member of the Committee may resign as a Committee member at any time. It is expected that the resigning member will resign in writing and will give appropriate notice to the Committee Chair of his or her intention to resign.

#### **4. Compensation.**

**4.1. *Compensation.*** The compensation for service on the Committee shall be determined by the Board of Directors.

**4.2. *Expense Reimbursement.*** Committee members will be reimbursed for all reasonable expenses incurred while attending Committee meetings, training of the Committee or otherwise at the request of the Board of Directors.

#### **5. Committee Meeting Procedures.**

**5.1. *Frequency and Length of Meetings.*** The Committee will meet at least once each quarter. The length of the meetings will be determined by the agenda.

**5.2. *Setting Agendas.*** The Committee Chair will establish the agenda for each Committee meeting. Any Committee member may suggest the addition of other items on the agenda.

**5.3. *Attendance Expectations.*** All Committee members are expected to attend all the meetings of the Committee.

**5.4. *Advanced Distribution of Committee Materials.*** Information that is important to the Committee's understanding of the specific matters to be

discussed at the Committee meeting should be distributed by the Committee Chair or management in writing to the Committee at least 48 hours the Committee meeting. This material should be concise, well-organized and supported by any background data necessary to place the information in context. Presentations on specific subjects to the Committee should be sent to Committee members in writing in advance so that Committee meeting time may be conserved and discussion time may be focused on questions that the Committee has about the material. For highly sensitive matters, the content may be discussed at the meeting without any prior written materials.

- 5.5. *Attendance by Non-Members.*** The Committee may, from time to time, invite other members of the Board of Directors, senior management or other employees of the Corporation into Committee meetings to provide additional insight into the matters being discussed because of personal involvement in or knowledge about these matters.
- 5.6. *Quorum.*** At all Committee meetings, a majority of the total number of the Committee's members shall constitute a quorum for the transaction of business.
- 5.7. *Minutes.*** The Committee Chair will designate someone to record the minutes of each Committee meeting. All minutes shall be filed with the Corporation's records and maintained in the same manner as the minutes of the meetings of the Board of Directors.

## **6. Committee Action Without a Meeting.**

- 6.1. *Written Consent.*** The Committee may take any action by unanimous written consent that the Committee might take at a meeting.
- 6.2. *Filing of Written Consent.*** Any written consent of the Committee pursuant to Section 6.1 shall be filed with the Corporation's records and maintained in the same manner as the minutes of the meetings of the Board of Directors.

## **7. Committee Performance.**

- 7.1. *Assessment of Committee Effectiveness.*** The Governance and Nominating Committee will provide an annual assessment to the Board of Directors of each Committee's performance.

**8. Committee Relationships.**

**8.1. *Interaction with Management.*** The Committee will have complete access to the Corporation's management to discuss matters or requests information relating to the Committee's responsibilities.

**8.2. *Access to Independent Auditors and Outside Legal Counsel.*** The Committee will have full access to the designated outside counsel, outside auditors or to any other consultants deemed beneficial by the Committee.

**9. Leadership Development.**

**9.1 *Committee Development.*** In addition to training received as a member of the Board of Directors, selected members of the Committee may receive targeted training. The Chair of the Board of Directors will approve all training.

**10. Amendments to Charter.**

**10.1. *Amendments.*** This Charter may be amended or repealed by action of the Board of Directors at any time.