

# **PULSE ELECTRONICS CORPORATION**

## **AUDIT COMMITTEE CHARTER**

### **I. Mission Statement**

The Audit Committee shall assist the Board of Directors in fulfilling its responsibilities by:

- reviewing the financial reporting process in place to ensure the integrity of Pulse Electronics Corporation's (the Company) financial statements,
- evaluating the independent auditor's qualifications and independence,
- evaluating the performance of the Company's internal audit function and independent auditors,
- assessing the processes relating to the determination and mitigation of risks and the maintenance of an effective control environment; and
- reviewing the processes to monitor compliance with laws and regulations and the Company's Statement of Principles.

The Audit Committee will provide an open avenue of communication among the independent accountants, financial and senior management, the internal audit department and the Board of Directors. The Audit Committee has the sole authority to engage and terminate the Company's independent auditors, to approve any non-audit engagement by the Company's independent auditors and to approve all audit engagement fees and terms. Each Committee member shall work diligently to obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations and risks. The Audit Committee will also prepare the report that SEC rules require to be included in the Company's annual proxy statement.

### **II. Organization**

The Audit Committee shall be comprised of three or more Directors, each of whom shall be independent and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent, unbiased judgment as a member of the Committee. The terms

“independent” and "independence" shall be as defined in the New York Stock Exchange Corporate Accountability and Listing Standards.

Each member of the Committee shall have a working knowledge of basic finance and accounting practices. The Chairperson of the Committee must have accounting or related financial management experience. Unless the Board otherwise determines in compliance with existing law, at least one member of the Committee is to be considered a “financial expert”. The term “financial expert” shall be as defined by the Securities and Exchange Commission.

The members of the Committee shall be appointed by the Board, in consultation with the Chairman, which shall also select the Chairperson of the Audit Committee. Appointments shall be made in accordance with procedures established by the Governance Committee of the Board of Directors from time to time. An Audit Committee member may not simultaneously serve on the Audit Committee of more than two public companies.

The Company will adequately fund the budget of the Audit Committee. The budget will include, at a minimum, payments to the independent accountants for audit services and, if necessary, other professionals retained by the Audit Committee from time to time.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. On an annual basis, the Committee must complete a written evaluation of the Committee’s performance against its charter and the goals established annually by the Committee for itself.

### **III. Duties and Responsibilities**

#### **A. Financial Reporting**

1. Review, with management and the independent auditor, the Company’s annual 10-K filing, including the financial statements, independent auditor reports, officer certifications required by the SEC, and disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and any acquisition related audited statements required by Regulation S-X of the Securities Exchange Act of 1934.

2. Review, with management and the independent auditor, the Company's quarterly financial results prior to the release of earnings and the Company's quarterly 10-Q filing, including the financial statements, officer certifications required by the SEC, and disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing.
3. Discuss with management financial information and earnings guidance provided to analysts and rating agencies.
4. Determine if the financial statements and reports referred to in no. 1 and 2 above are complete in all material respects and consistent with the information known to Committee members, and assess whether the financial statements reflect appropriate accounting principles.
5. Review with Company senior management and the independent auditor, management's handling of any proposed audit adjustments identified by the independent accountants.
6. Meet with the independent auditor to review the results of the annual audit, their judgments about the quality and appropriateness of the Company's accounting principles, and any audit problems or difficulties and management's response.
7. Review and resolve any significant disagreement among the Company's management and the independent accountants or the internal audit department in the financial reporting process.
8. Review the integrity of the Company's financial reporting process, both internal and external, in consultation with the independent accountants and the internal audit department.
9. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent accountants or the Company's senior management.
10. Review with independent accountants and Company senior management the extent to which changes and improvements in financial and accounting practices, as approved by the Audit Committee, have been implemented.

#### B. Internal Audit

1. Review the activities, organizational structure, responsibilities and budget of the internal audit function.
2. Review the qualifications of the persons assigned to the internal audit function and review the appointment, replacement or dismissal of the director of internal audit.

3. Review the effectiveness of the internal audit function by approving or amending the annual audit plan, monitoring progress and the adequacy of resources to address the approved audit plan.

#### C. Independent Auditor

1. Approve the independent accountants' proposed audit scope, approach and fees.
2. At least annually, obtain and review a report by the independent auditor describing:
  - the firm's internal quality-control procedures, and
  - 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.
3. Confirm the independence of the independent accountants by discussing and reviewing all significant relationships that the independent accountants have with the Company and obtaining their assertion of independence in accordance with professional standards.
4. Review the performance of the independent auditor.
5. Engage and terminate the Company's independent auditor and present conclusions on the appointment or discharge of the independent auditor to the Board of Directors.
6. Approve in advance of the Company's final commitment all consulting arrangements and any other non-audit service with the Company's independent auditors.
7. Approve all audit fees and terms.

#### D. Risk Assessment and Risk Management

1. Discuss with Company senior management guidelines and policies governing the risk assessment and risk management processes.
2. Review with Company management, the internal auditors and the independent accountants, significant risks and exposures. Review management's plans and processes to minimize such risks, including insurance coverage.
3. Evaluate whether Company management is adequately communicating the importance of internal control to all relevant personnel.

4. Periodically privately consult with the independent accountants about internal controls and the completeness and accuracy of the Company's financial statements.
5. Review whether the internal control recommendations made by the internal auditors and the independent accountants are being implemented by Company management and, if not, why not.

E. Compliance with Relevant laws, regulations and Pulse's Statement of Principles

1. Require that the Company maintain and publish a written Statement of Principles which embodies the Company's business ethics.
2. Evaluate whether the Company's Statement of Principles is adequately communicated to all Company employees.
3. Review the effectiveness of the system for monitoring compliance with the Company's Statement of Principles.
4. Periodically obtain updates from the Company's senior management regarding procedures and processes to ensure compliance with applicable laws and regulations (including but not limited to, securities, tax and environmental matters).

F. Other Responsibilities

1. Meet at least quarterly with management, the director of internal audit and the independent auditors in separate sessions.
2. Review all consulting fees paid by the Company to any organization where such fees exceed \$250,000 annually.
3. Institute special investigations, if necessary, and hire special counsel or experts to assist, if appropriate.
4. Review and update this Charter at least annually, and obtain approval of changes from the Board.
5. Set clear hiring policies for employees or former employees of the independent auditors.
6. Review the procedures established for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
7. Review the procedures established allowing the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.

8. Review with the Board of Directors, any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or performance of the internal audit functions.
9. Perform other oversight functions as requested by the full Board of Directors.
10. As considered necessary in the course of fulfilling Audit Committee duties, obtain advice and assistance from outside legal, accounting or other advisors.
11. Report after each meeting to the Board of Directors regarding actions taken and matters discussed by the Committee.

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