

Lexar Media, Inc. - Audit Committee Charter

I. PRINCIPAL FUNCTIONS AND AUTHORITY

The principal functions of the audit committee of the board of directors of Lexar Media, Inc., a Delaware corporation (the “Company”), are to:

- oversee the integrity of the Company’s financial statements and the Company’s compliance with related legal and regulatory requirements;
- monitor the adequacy of the Company’s accounting and financial reporting, and its internal controls and processes for financial reporting;
- oversee the Company’s relationship with its external auditors, including selecting, evaluating and setting the compensation of the external auditors; and
- facilitate communication among the external auditors, the Company’s financial management, executive management and the board.

The audit committee will fulfill these functions primarily by carrying out the activities enumerated in Part III of this charter. In order to do so, the audit committee shall have unrestricted access to Company personnel and documents, and shall have authority to direct and supervise investigations into any matters within the scope of its duties. The audit committee shall have the authority to engage outside counsel, accounting experts and other advisors as it determines necessary to carry out its duties, including with respect to any such investigation. The Company shall provide appropriate funding to the audit committee, as determined by the committee, for payments of compensation to:

- the external auditors for audit services, and for any permitted non-audit services approved by the audit committee; and
- any advisors employed by the audit committee as provided by this charter.

II. MEMBERSHIP

All members of the audit committee will be appointed by, and shall serve at the discretion of, the board. Unless a chairman of the audit committee is elected by the full board, the members of the audit committee may designate a chairman by majority vote of the committee membership.

The audit committee shall consist of three or more members of the board, with the exact number being determined by the board. Each member of the audit committee shall be “independent” as defined by the rules and regulations of The Nasdaq Stock Market, as they may be amended from time to time, and by the rules and regulations promulgated under the Securities Exchange Act of 1934 from time to time, except as otherwise permitted by such rules and regulations. Each member of the audit committee shall have the ability to read and understand fundamental financial statements and at least one member shall be a “financial expert” in compliance with the criteria established by the Securities and Exchange Commission and have prior experience in accounting, financial management or financial oversight, as required by the rules and regulations of Nasdaq. The existence of such member(s) shall be disclosed in periodic filings as required by the Securities and Exchange Commission.

III. ROLES AND RESPONSIBILITIES

Internal Control

- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all individuals possess an understanding of their

- roles and responsibilities.
- Focus on the extent to which the internal and external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- Gain an understanding of whether internal control recommendations made by the internal and external auditors have been implemented by management.
- Ensure that the external auditors keep the audit committee informed about fraud, illegal acts, deficiencies in internal controls, and certain other matters.

Financial Reporting

General

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Ask management and the internal and external auditors about significant risks and exposures and the plans to minimize such risks.

Annual Financial Statements

- Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles.
- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures.
- Focus on judgmental areas such as those involving valuation of assets and liabilities and other commitments and contingencies.
- Meet with management and the external auditors to review the financial statements and the results of the audit.
- Consider management's handling of proposed audit adjustments identified by the external auditors.
- Review the MD&A and other sections of the annual report before its release and consider whether the information is adequate and consistent with members' knowledge about the Company and its operations.
- Ensure that the external auditors communicate certain required matters to the committee.

Interim Financial Statements

- Be briefed on how management develops and summarizes quarterly financial information.
- Meet with management and, if a pre-issuance review was completed, with the external auditors, either telephonically or in person, to review the interim financial statements and the results of the review (this may be done by the committee chairperson or the entire committee).
- To gain insight into the fairness of the interim statements and disclosures, obtain explanations from management and from the internal and external auditors on whether:
 - ◆ Actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - ◆ Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;
 - ◆ Generally accepted accounting principles have been consistently applied;
 - ◆ There are any actual or proposed changes in accounting or financial reporting practices;
 - ◆ There are any significant or unusual events or transactions;
 - ◆ The Company's financial and operating controls are functioning effectively;
 - ◆ The Company has complied with the terms of loan agreements or security indentures; and
 - ◆ The interim financial statements contain adequate and appropriate disclosures.
- Ensure that the external auditors communicate certain required matters to the committee.

Compliance with Laws and Regulations

- Have this charter approved by the full board and reviewed and reassessed on an annual basis.
- Include a copy of this charter as an Appendix to the Company's proxy statement at least once every three years and ensure disclosure will be given in the proxy statement each year as to whether the audit committee members are independent and by which definition.
- Understand that the audit committee has direct responsibility for appointing, compensating, overseeing the work of, and replacing the external auditors.
- Take appropriate action in response to the external auditors' report to ensure the independence of the external auditors and discuss with the external auditors any disclosed relationships or services which may impact the external auditors independence and objectivity.
- Discuss with the external auditors their judgments about the quality of the Company's accounting principles as applied in its financial reporting.
- Prepare a report to the Company's stockholders for inclusion in the Company's annual proxy statement as required by the rules and regulations of the Securities and Exchange Commission, as they may be amended from time to time.
- Discuss with the external auditors the results of the Statement of Auditing Standards No. 71 review prior to the filing of the Form 10-Q each quarter and preferably prior to any public announcement of financial results.
- Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities.
- Periodically obtain updates from management, general counsel, and tax director regarding compliance.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies, such as the Securities and Exchange Commission.
- Review the CEO/CFO certifications contained in the Forms 10-Q and 10-K

Compliance with Code of Conduct

- Within the timeframe established by the rules and regulations of the Securities and Exchange Commission, the committee will develop and recommend to the board a code of business conduct and ethics applicable to the Company (the "Code"), including all of its directors, officers and employees, which addresses, at a minimum, conflicts of interest, compliance with applicable laws, rules and regulations, accurate and timely disclosure in the Company's filing with the Securities and Exchange Commission and other public disclosures, disclosure of any waivers for executive officers and directors, an enforcement mechanism for ensuring prompt internal reporting of violations and consistent enforcement, protection for persons reporting questionable behavior, clear and objective standards for compliance and consequences for non-adherence and a fair process by which to determine violations.
- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of the Code.
- Review the program for monitoring compliance with the Code.
- Periodically obtain updates from management and general counsel regarding compliance.

External Audit

- Review the external auditors' proposed audit scope and approach.
- Review the performance of the external auditors and determine the appointment or discharging of the external auditors.
- Pre-approve all audit and permitted non-audit services to be provided by the external auditors. The audit committee may delegate the authority to grant pre-approval of audit and permitted non-audit services to one or more members of the committee, provided that the pre-approval decision and related services are presented to the audit committee at its next regularly scheduled meeting.
- Review and confirm the independence of the external auditors by reviewing the permitted non

audit services provided and reviewing and discussing with the external auditors their annual communication of all relationships between the external auditors and the Company that could be considered to bear on the independence of the external auditors, in accordance with professional standards.

Qualified Legal Compliance Committee

- Serve as the Company's "Qualified Legal Compliance Committee" within the meaning of Part 205 of Chapter II of Title 17 of the Federal Register ("Part 205").
- Establish written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation under Part 205 (a "Material Violation").
- Inform the Company's chief legal officer and chief executive officer of any report of evidence of a Material Violation unless such notification would be futile or inadvisable under the circumstances.
- Determine whether an investigation is necessary or appropriate regarding any report of evidence of a Material Violation by the Company, or any of its officers, directors, employees or agents.
- If the committee determines an investigation is necessary or appropriate: (i) notify the full board; (ii) initiate an investigation, which may be conducted either by the chief legal officer or by outside attorneys; and (iii) retain such additional experts as the committee deems necessary to assist in the investigation.
- At the conclusion of any such investigation: (i) recommend, by majority vote, that the Company implement an appropriate response to evidence of a Material Violation; and (ii) inform the chief legal officer, the chief executive officer and the board of the results of any such investigation and the appropriate remedial measures to be adopted.
- Acting by majority vote, take all other appropriate actions to respond to any report of evidence of a Material Violation, including the authority to notify the Securities and Exchange Commission in the event that the Company fails in any material respect to implement an appropriate response recommended by the committee.

Other Responsibilities

- Meet with the external auditors, director of internal audit and management in separate executive sessions to discuss any matters that the committee or these groups believe should be discussed privately.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Ensure that significant findings and recommendations made by the internal and external auditors are received and discussed on a timely basis.
- Review, with the Company's internal and external counsel, any legal matters that could have a significant impact on the Company's financial statements.
- Review and approve or prohibit, as appropriate, any proposed transactions between the Company and a related party.
- Review the policies and procedures in effect for considering officers' expenses and perquisites.
- Establish procedures to receive and process complaints regarding accounting, internal auditing controls or auditing matters, and for employees to make confidential, anonymous complaints regarding questionable accounting or auditing matters.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Perform other oversight functions as requested by the full board.
- Review and update the charter; receive approval of changes from the board.
- Regularly update the board of directors about committee activities and make appropriate recommendations.