

# **CPI International, Inc.**

## **Charter for Audit Committee**

(adopted April 27, 2006)

### ARTICLE I FORMATION

The Board of Directors (the "**Board**") of CPI International, Inc., a Delaware corporation (the "**Corporation**"), has established the Audit Committee (the "**Committee**") pursuant to Section 141(c)(2) of the Delaware General Corporation Law and Section 4 of the Corporation's Amended and Restated Bylaws.

### ARTICLE II PURPOSE

1. The purpose of the Committee is to oversee the accounting and financial reporting processes of the Corporation and the audits of the Corporation's financial statements.
2. Management is responsible for preparing the Corporation's financial statements and for their accuracy, and the Corporation's independent auditors are responsible for auditing those financial statements. While the Committee has certain authority and oversight responsibilities under this Charter, it is not the responsibility of the Committee to plan or conduct audits. In the absence of their possession of reason to believe that such reliance is unwarranted, the members of the Committee may rely without independent verification on the information provided to them and on the representations made by the Corporation's management and the Corporation's independent auditors. Accordingly, the Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Committee's authority and oversight responsibilities do not assure that the audits of the Corporation's financial statements have been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Corporation's independent auditors are in fact "independent."

### ARTICLE III COMPOSITION

The Committee shall consist of at least three (3) directors, each of whom shall meet the independence, financial literacy and experience requirements of the Nasdaq National Market, the Securities and Exchange Commission ("**SEC**") and any other applicable law (except as may be allowed by those requirements in exceptional circumstances and under the applicable transition rules). Subject to the foregoing, the exact number of members of the

Committee shall be fixed and may be changed from time to time by resolution duly adopted by the Board.

Each member shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. No member of the Committee shall have participated in the preparation of the financial statements of the Corporation in the past three (3) years. At least one (1) member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in such individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The members of the Committee shall be appointed by the Board and continue to be members until their successors are elected and qualified as directors and appointed to the Committee or until their earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by the Board at any time.

The Board may appoint one member to serve as Chair of the Committee. The Chair shall set the agenda for the Committee's meetings, convene and chair the Committee's regular and special meetings and act as the Committee's representative to the Board in communicating with the Board and management. If the Board fails to appoint a Chair of the Committee, the members of the Committee shall elect a Chair by majority vote of the full Committee to serve at the pleasure of the majority of the full Committee.

#### ARTICLE IV RESPONSIBILITIES

The principal responsibilities and functions of the Committee are set forth below. The Committee is authorized to carry out these responsibilities, and other responsibilities assigned to it by the Board from time to time, and to take any action reasonably related to the mandate of this Charter. Subject to any restrictions set forth in the Corporation's Amended and Restated Certificate of Incorporation, as amended, modified or supplemented from time to time, the Corporation's Amended and Restated Bylaws, as amended, modified or supplemented from time to time, and applicable law, the Committee shall have all power and authority necessary or appropriate to carry out its purposes and responsibilities.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures 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 auditor.

##### A. General

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by the Corporation (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or

issuing an audit report or performing other audit, review or attest services for the Corporation. The independent auditors shall report directly to the Committee.

2. Pre-approve all audit and permissible non-audit services to be performed for the Corporation by any registered public accounting firm engaged to prepare or issue an audit report or perform other audit, review or attest services for the Corporation, in accordance with the provisions of § 10A(i) of the Securities Exchange Act of 1934, as amended and the applicable rules and regulations thereunder.
3. To the extent it deems necessary or appropriate, engage and determine funding for independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Corporation and to any advisors employed by the Audit Committee, as well as funding for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
4. Prepare the report required by the rules of the SEC to be included in the Corporation's annual proxy statement.
5. Report regularly to the Board.
6. Perform any other duties and responsibilities necessary to comply with the rules of the SEC, the Nasdaq National Market or other applicable securities laws or stock exchange rules or listing requirements.

B. Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board, if appropriate, that the audited financial statements be included in the Corporation's Form 10-K.
2. Review and discuss with management and the independent auditor the Corporation's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.

4. Review and discuss with management and the independent auditor any major issues as to the adequacy of the Corporation's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
5. Review and discuss with management (including the senior internal audit executive) and the independent auditor the Corporation's internal controls report and the independent auditor's attestation of the report prior to the filing of the Corporation's Form 10-K.
6. Prior to the filing of any audited financial statements with the Securities and Exchange Commission, review and discuss reports from the independent auditors on:
  - (a) all critical accounting policies and practices to be used;
  - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
  - (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
7. Discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
8. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
9. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
10. Review disclosures made to the Audit Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

C. Oversight of the Corporation's Relationship with the Independent Auditor

1. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality control procedures, (b) 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 (5) years respecting one or more independent audits carried out by the firm and (c) any steps taken to deal with any such issues. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the Board.
2. Obtain from the independent auditor a formal written statement (consistent with Independent Standards Board Standard No. 1) delineating all relationships between the independent auditor and the Corporation. It is the responsibility of the Audit Committee to actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for purposes of taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor.
3. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
4. Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditor.
5. Obtain and review the annual audit plan of the Corporation's independent auditors, including the scope of audit activities, and monitor such plan's progress and results during the year.

D. Compliance Oversight Responsibilities

1. Review all reports required to be submitted by the independent auditors to the Committee under Section 10A of the Securities Exchange Act.
2. Obtain reports from management that the Corporation and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Corporation's Code of Legal and Ethical Conduct. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Legal and Ethical Conduct.

3. Approve all related party transactions required to be disclosed by Item 404 of Regulation S-K promulgated by the SEC.
4. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
5. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
6. Review any reports to management prepared by the internal auditing department which the internal auditing department deems significant and management's responses thereto.
7. Discuss with the Corporation's counsel any legal matters that may have a material impact on the financial statements or the Corporation's compliance policies.

F. Performance Assessment

1. Conduct a self-evaluation, at least annually, to determine if the Committee is functioning effectively. This self-evaluation shall assess the contribution of the Committee as a whole and will specifically review areas in which the Committee believes a better contribution could be made. Its purpose is to increase the effectiveness of the Committee, not to review individual Committee members.
2. At least annually, review this Charter and reassess its adequacy.

The foregoing functions and responsibilities are set forth with the understanding that the Committee may, to the extent permitted by applicable laws or regulations, diverge therefrom as appropriate given the circumstances.

In discharging its role, the Committee encourages free and open communication among the Committee, the Corporation's independent auditors and management. The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the resources and authority to retain independent legal, accounting and other consultants, as it deems appropriate. The Committee is empowered to investigate any matter brought to its attention that is within the scope of or otherwise relevant to its responsibilities, with all requisite access to all books, records, facilities and personnel of the Corporation and with access to the Corporation's outside legal counsel and other advisors.

## ARTICLE V PROCEDURES

The Committee shall meet at least once each fiscal quarter. Additional meetings shall occur as the Committee or its Chair deems advisable. The Committee shall keep regular minutes of its meetings, and shall report its actions to the next meeting of the Board.

The Committee may, to the extent permitted by applicable laws and regulations, form and delegate any of its responsibilities to, a subcommittee so long as such subcommittee consists of at least two members of the Committee. The requirements for action by a subcommittee shall, except as otherwise provided by act of the Committee, be the same as applicable to the Committee.

All non-management directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. To perform its oversight functions effectively, the Committee should meet separately, periodically, with management, with the internal auditors (or other personnel responsible for the internal audit function) and with the independent auditors. The Committee may, at its discretion and at the invitation of the Chair, include in its meetings members of the Corporation's management, representatives of the Corporation's outside advisors, any other personnel employed or retained by the Corporation or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, without limitation, any non-management director who is not a member of the Committee.