

**CARTESIAN, INC.**

**CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**AMENDED AND RESTATED AS OF  
JUNE 18, 2014**

**PURPOSES**

The primary purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Cartesian, Inc., a Delaware corporation (the "Company"), is to assist the Board in fulfilling its oversight responsibilities.

The Committee will review, as necessary, to help ensure the quality and adequacy of

- The Company's system of internal controls
- The Company's accounting and financial reporting processes
- The Company's independent auditors, audit scope, audit results and related fees

The Audit Committee will provide the Board with the results of its reviews, including recommendations derived therefrom and progress on implementing the necessary changes at least once each year, along with such additional information and material as it may deem necessary to make the Board aware of significant financial matters that require the Board's attention.

In addition, the Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe or as the Committee deems advisable.

The Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. The members of the Committee are not professionally engaged in the practice of accounting and are not experts in the field of accounting or auditing, including auditor independence. Members of the Committee rely without independent verification on the information provided to them and the representations made to them by management and the independent auditors. Accordingly, the Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting policies, or appropriate internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations, or appropriate disclosure controls and procedures designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported on a timely basis. Furthermore, the Committee's considerations and discussion referred to in this Charter do not assure that the audit of the Company's financial statements has

been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles, that the Company's auditors are in fact "independent," or that the matters required to be certified by the Chief Executive Officer and Chief Financial Officer of the Company under the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and applicable rules of the Securities and Exchange Commission ("SEC") have been properly and accurately certified.

## **MEMBERSHIP**

The Committee, a standing committee of the Board, will be composed of at least three directors, each of whom is qualified to serve on the Committee pursuant to the requirements of The Nasdaq Stock Market, Inc. ("NASDAQ"), Sarbanes-Oxley and applicable SEC rules. The Committee shall consist of at least three members who are recommended by the Nominating and Corporate Governance Committee and appointed annually to one year terms by a majority vote of the Board at the meeting of the Board immediately following the annual meeting of stockholders. Vacancies on the Committee shall be filled by majority vote of the Board, upon the recommendation of the Nominating and Corporate Governance Committee, no later than the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the Board.

All members of the Committee will be able to read and understand fundamental financial statements, and at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication as required by NASDAQ. In addition, either (i) at least one member of the Committee must qualify as an "audit committee financial expert" under the SEC's rules or (ii) the Committee must advise the Company that none of its members so qualifies.

No member of the Committee shall serve on the audit committees of more than two other public-held companies, unless the Board determines that such simultaneous service would not impair the director's ability to serve effectively on the Committee.

## **INDEPENDENT ADVISORS**

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other advisors or consultants to advise the Committee.

## **MEETINGS**

The Committee shall meet at least quarterly or more frequently as circumstances dictate. The Board shall, upon the recommendation of the Nominating and Corporate Governance Committee, designate one member of the Committee as its Chairperson. The Chairperson of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

As part of its mission to foster open communication, the Committee shall meet periodically with management, the directors and the independent auditors in separate executive sessions to discuss any matter the Committee or each of these groups believes should be discussed privately. The Committee shall meet with the independent auditors and management on a quarterly basis to review the Company's quarterly or annual financials, as applicable, and the Company's financial results and disclosures for the quarter or year.

The Committee may request any director, officer or employee of the Company or the Company's outside counsel, advisors or consultants to attend any meeting of the Committee or to meet with any members of or advisors or consultants to the Committee to discuss or provide information pertinent to any matters within the scope of the Committee's duties and responsibilities. The Committee may also meet with investment bankers or financial analysts who follow the Company.

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

### **DELEGATION OF AUTHORITY**

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; PROVIDED, however, that no subcommittee shall consist of fewer than two members; and PROVIDED FURTHER that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

### **RESPONSIBILITIES AND DUTIES**

In carrying out its responsibilities and duties, the Committee's policies and procedures should remain flexible, so that it may be in a position to respond to changing circumstances or conditions. The following are within the authority of the Committee:

#### **INTERNAL CONTROLS**

- Monitor on a periodic, but at least annual basis primarily through discussion with management and the independent auditors, or other methods deemed appropriate, the adequacy of the Company's system of internal controls and management's compliance with those controls
- Review periodically with the financial officers and with the independent auditors all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information

- Review with the financial officers and with the independent auditors any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting
- Receive periodic reports from management and the Company's independent auditors to assess the impact on the Company of significant accounting or financial reporting developments that may have a bearing on the Company

#### CRITICAL ACCOUNTING POLICIES

- In discussions with management and the independent auditors, identify and assess the accounting policies of the Company which management, the independent auditors and the Committee deem the most critical and which involve the most complex, subjective or ambiguous decisions or assessments, and in connection therewith:
  - Evaluate any significant change in the Company's critical accounting policies, or proposals for change in those policies, that may have a significant impact on the Company's financial reports
  - Evaluate the judgments and uncertainties affecting the application of the Company's critical accounting policies, the impact of those policies on the Company's financial reporting and performance, the effect changing conditions may have on the impact of those policies, and the likelihood that materially different financial results would be reported under different conditions or using different assumptions

#### DOCUMENTS/REPORTS REVIEW

- Review with the financial and executive officers and the independent auditors before release the Company's annual and quarterly financial statements and any reports or other financial information to the SEC, NASDAQ or the public, including any certification, report, opinion or review rendered by the independent auditors
- Review with the financial and executive officers and with the independent auditors all other material written communications between the independent auditors and management, such as any management letter and any schedule of unadjusted differences
- Review with the financial and executive officers and the independent auditors before release the Section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") in the Company's annual report on Form 10-K and quarterly reports on Form 10-Q and evaluate the quality and adequacy of the Company's disclosures in MD&A with regard to:
  - Critical accounting policies

- The liquidity and capital resources of the Company, and the likely impact of known trends, commitments, events and uncertainties on the Company's liquidity and capital resources
- The impact on liquidity and capital resources of any off-balance sheet arrangements and foreign currency or interest rate risk exposure
- The impact on the Company's liquidity and capital resources of transactions between the Company and "related parties," as contemplated below
- Review with the financial officers and the independent auditors the regular internal reports to management prepared by the independent auditors and management's responses to those reports
- Review with the financial officers and the independent auditors before release any quarterly earnings announcements or other public announcements regarding financial results, including the presentation of any "pro forma" or "adjusted" non-GAAP financial information contained therein

#### INDEPENDENT AUDITORS

- Have the sole authority and responsibility to select, evaluate, set the compensation and the terms of engagement of and, where appropriate, replace the independent auditors
- Pre-approve all permissible non-audit engagements to be undertaken by the independent auditor, either explicitly or through pre-approval policies and procedures to be approved by the Committee
- Review the independent auditors' proposed audit scope approach, including an annual review of:
  - The industry knowledge and experience of key audit partners and managers responsible for auditing the Company
  - The ability and willingness of key audit partners and managers to consult with other experts in their firm on matters of importance to the Company
  - The quality control procedures adopted by the independent auditors
  - The written reports required from the independent auditors concerning the Company's critical accounting policies and practices, alternative treatments of material items within GAAP discussed with management, communications with management, and related matters
- Conduct a post-audit review of the financial statements and audit findings, any significant suggestions for improvements provided to management by the independent auditors

- Evaluate the independence of the Company's independent auditors, who shall be accountable to the Committee, including by, among other things, the following:
  - Obtain and review from the Company's independent auditors and discuss with the Company's independent auditors a formal written statement delineating all relationships between the independent auditors and the Company, consistent with applicable independence standards
  - Ensure regular rotation of the audit partners as required by law and consider whether the independent auditor firm should be rotated
  - Engage in a dialogue with the independent auditors to confirm that audit partner compensation is consistent with the SEC's rules and regulations
  - Confirm with the independent auditors that the independent auditors provided neither prohibited non-audit services nor any other non-audit services that were not pre-approved to the Company
- Evaluate the performance of the independent auditors, including the lead partner and reviewing partner, and approve any proposed discharge of the independent auditors when circumstances warrant
- Periodically consult with the independent auditors out of the presence of management about internal controls and the completeness and accuracy of the Company's financial statements
- Discuss with the independent auditors the matters required to be discussed by applicable auditing standards
- Establish and enforce policies with regard to the hiring by the Company of former employees or partners of the independent auditors

#### FINANCIAL REPORTING PROCESSES

- In consultation with the independent auditors and financial management, the quality and integrity of the Company's financial reporting processes, both internal and external
- Evaluate the independent auditors' judgments about the quality and appropriateness of the Company's accounting policies as applied in its financial reporting
- Consider and approve, if appropriate, significant changes to the Company's auditing and accounting policies and practices as suggested by the independent auditors or management

- Based on the matters discussed with the independent auditors, recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K
- Review and discuss with management, the Board of Directors and the independent auditors any material financial or non-financial arrangements of the Company which do not appear on the Company's financial statements ("off-balance sheet arrangements"), the risks created by those arrangements, and the quality and adequacy of the Company's reporting with regard to the same
- Identify and discuss with management, the Board of Directors and the independent auditors the material risks faced by the Company's business or which could impact the financial condition or performance of the Company, evaluate how those risks are managed by the Company and the quality and adequacy of the Company's reporting with regard to the same
- Review, discuss with management, the Board of Directors and the independent auditors and approve as appropriate all related-party transactions, as defined in the applicable NASDAQ and SEC rules
- Oversee compliance with the requirements of the SEC for disclosure of the independent auditors' services and Committee members and activities
- Provide a report for the Company's annual meeting proxy statement in accordance with the SEC's rules
- Discuss with management and the independent auditors the Company's policies and practices with respect to earnings guidance and press releases and review and evaluate all earning guidance provided by the Company
- Evaluate and monitor management's disclosure controls and procedures for Exchange Act reporting
- Evaluate and monitor management's procedures in connection with the certification of the Company's Exchange Act reports by the Chief Executive Officer and Chief Financial Officer
- Perform an annual review of
  - Major issues regarding accounting principles and financial statement presentation
  - Significant changes in the selection or application of accounting principles
  - Any major issues regarding the adequacy of accounting controls and procedures or disclosure controls and procedures and any special steps adopted by the independent auditors in light of material control deficiencies

- The analyses made by management and/or the independent auditors regarding significant financial reporting issues and judgments made in preparing financial statements
- Analyses of the impact of alternative GAAP methods on the financial statements
- The impact of any "pro-forma" or "adjusted" non-GAAP financial information provided by the Company
- The financial information and earnings guidance provided to analysts and ratings agencies
- Evaluate and perform an annual review of management's risk assessment and risk management policies and procedures, including an evaluation of major financial risk exposures and steps management has taken to control those exposures

#### AUDIT PROCESS

- Review and discuss with the independent auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year
- Establish regular and separate systems of reporting to the Committee by management and the independent auditors, regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments
- Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information
- Evaluate and resolve any significant disagreement between management and the independent auditors in connection with the preparation of the financial statements
- Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented

#### ETHICAL AND LEGAL COMPLIANCE

- Establish, review and update periodically a Code of Conduct for the Company and ensure that management has established a system to enforce this Code. Supervise management's enforcement and performance of the Code. Evaluate any requested waivers of the Code.

Not grant any such waiver without disclosure to shareholders and implementation of appropriate controls to protect the Company

- Review management's monitoring of compliance with the Code of Conduct, and verify that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to the SEC, NASDAQ and the public satisfy legal requirements
- Review the activities, organizational structure and qualifications of the Company's financial management
- Review with the Company's counsel legal compliance matters, including securities trading policies and compliance with Sarbanes-Oxley, SEC rules and NASDAQ listing standards
- Review with the Company's counsel any legal matter that could have a significant impact on the Company's financial statements
- Implement procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters

#### INVESTIGATIONS

- Conduct or authorize investigations into or studies of any matters within the scope of the Committee's duties and responsibilities, as the Committee may in its discretion deem necessary or advisable

#### OTHER RESPONSIBILITIES

- Review and approve in advance any services provided by the Company's independent auditors to the Company's executive officers or members of their immediate family
- Review the activities, organizational structure and qualifications of the Company's financial management team
- Undertake such other duties as the Board of Directors may delegate or which the Committee may deem advisable
- Report, at least annually, to the Board of Directors regarding the Committee's examinations and recommendations
- At least annually, and at any time there is a proposed change to the Company's hedging strategy, review the Company's hedging policies and strategies and approve the

Company's decision to enter into swaps that are exempt from the clearing and trading requirements of the Commodity Exchange Act.

#### EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Nominating and Corporate Governance Committee a verbal or written report, at least annually or as deemed appropriate, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

#### COMPENSATION

The Board determines the amount of any fees, if any, that the Committee members receive for their services. Committee members cannot receive any compensation from the Company except the fees they receive for their services as members of the Board or any committee of the Board, and except for reimbursement of their expenses.

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As adopted by the Board of Directors on June 14, 2013.