

Phoenix Technologies Ltd.

Charter for the Audit Committee of the Board of Directors

Purpose

The purpose of the Audit Committee of the Board of Directors (the “Board”) of Phoenix Technologies Ltd. (the “Company”) is to assist the Board in its oversight of:

- the integrity of the Company’s financial statements and financial reporting processes;
- the qualifications, independence and performance of the Company’s independent auditor;
- the adequacy of the Company’s internal control over financial reporting; and
- the Company’s compliance with legal and regulatory requirements.

In addition, the Audit Committee shall prepare an audit committee report as required by the Securities and Exchange Commission (“SEC”) to be included in the Company’s annual proxy statement.

Membership

The Audit Committee must be comprised of at least three members of the Board, each of whom shall be appointed by the Board, upon the recommendation of the Nominating and Corporate Governance Committee. Each Audit Committee member will serve on the Committee during his or her respective term as a Board member, subject to earlier removal by a majority vote of the Board. The members of the Audit Committee may not be officers or employees of the Company. Each member of the Audit Committee must be an “independent director,” as defined by and to the extent required by the SEC and NASDAQ rules applicable to Audit Committee members. No Audit Committee member shall simultaneously serve on the audit committees of more than three (3) public companies, subject to the Board’s determination that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee.

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. In addition, at least one member of the Audit Committee must be, as determined by the Board, an “audit committee financial expert” in accordance with applicable SEC and NASDAQ rules.

The Company shall provide new members with appropriate orientation briefings and educational opportunities, and the full Audit Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested by the Audit Committee. The Company will assist the Audit Committee in maintaining appropriate financial literacy.

Meetings

The Audit Committee will meet as often as it deems appropriate, but not less frequently than once each fiscal quarter. The Audit Committee will meet with the Company’s independent auditors and management upon the completion of the annual audit to review the independent auditor’s examination and management report. The Audit Committee will also meet with the independent auditor outside of the presence of management to discuss such report. The Audit Committee will meet with the Company employees who perform internal audit activities as it deems appropriate.

If one or more members of the Audit Committee is absent from a meeting of the Committee, a majority of the remaining members of the Audit Committee (provided there are at least two such members) shall have the power to take any action necessary, proper or advisable in order to perform the Audit Committee's purpose. No action of the Audit Committee shall be valid unless taken pursuant to a resolution adopted and approved by at least two members of the Audit Committee. The Audit Committee may act without a meeting by securing the unanimous written consent of the members of the Committee. Minutes of all meetings, including telephone meetings, and copies of all consents in lieu of meeting shall be maintained and furnished to members of the Audit Committee, the Board and the Secretary of the Company.

Authority; Delegation

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Audit Committee will have the sole authority to select, determine compensation for, oversee and, where appropriate, replace the Company's independent auditor. The independent auditor will report directly to the Audit Committee, and the Audit Committee will ensure that the independent auditor understands its ultimate accountability to the Audit Committee, as representatives of the Company's stockholders.

The Audit Committee will have the authority, to the extent it deems necessary or appropriate for the proper discharge of its duties and responsibilities, to retain and determine compensation for independent legal, accounting or other advisors, at the expense of the Company. In addition, the Company will pay for any audit report rendered or issued by the independent auditor at the request of the Audit Committee. In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention. The Audit Committee will have access to the Company's books, records, facilities, and personnel. Any communications between the Audit Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals will be presented to the full Audit Committee at its next scheduled meeting.

Responsibilities

The principal responsibilities and functions of the Audit Committee are as follows:

External Reporting

1. Review and discuss with the Company's management and independent auditor all audit results and the financial statements and periodic reports of the Company prior to the filing of such statements and periodic reports on Form 10-Q and Form 10-K, as applicable, including the disclosures in such reports under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
2. Recommend to the Board that the financial statements of the Company be included in the Company's annual report on Form 10-K;

3. Review and discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" or any other non-GAAP information;
4. Prepare an audit committee report as required by the SEC to be included in the Company's annual proxy statement;
5. Annually review and assess this charter and submit any proposed changes to the Board for approval, and publicly file this charter at least every three (3) years as required by the applicable rules of the SEC;

Independent Auditor

6. Appoint, determine compensation for and oversee the independent auditor of the Company;
7. At least annually, evaluate the independent auditor's qualifications and performance, including that of the lead partner. The evaluation will include obtaining a written report from the independent auditor describing the firm's internal quality control procedures and any material issues raised by the most recent Public Company Accounting Oversight Board (PCAOB) inspection, internal quality control review, or PCAOB review, of the firm or by any inquiry or investigation by governmental or professional authorities within the past five years, concerning an independent audit or audits carried out by the independent auditor, and any steps taken to deal with those issues.
8. Review the plan and scope of any audit and related services, and pre-approve all audit and permissible non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the exception for certain non-audit services that do not require pre-approval as described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended;
9. Review the required written statement from the Company's independent auditor delineating all relationships between the independent auditor and the Company, and discuss with the independent auditor any disclosed relationship or service that may impact the objectivity and independence of the independent auditor;
10. Oversee and at least annually review the independence of the independent auditor, including considering whether the auditor's provision of permitted non-audit services is compatible with maintaining the auditor's independence;
11. Confirm that the proposed audit engagement team from the independent auditor satisfies applicable auditor rotation rules, including 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;
12. Approve the Company's policies for the hiring of employees or former employees of the independent auditor who participated or have participated in any capacity in the audit of the Company;
13. Oversee the Company's compliance with SEC requirements for disclosure of the independent auditor's services and Audit Committee membership and activities;
14. Meet with the independent auditor in executive session at least once a quarter to discuss any matters the Audit Committee or the independent auditor believes should be discussed privately with the Audit Committee;

Financial Reporting Processes, Accounting Policies and Internal Control

15. Oversee the adequacy of the Company's system of internal control over financial reporting, including obtaining reports from the independent auditor regarding such controls and reviewing any significant findings and recommendations of the independent auditor and management's responses, including any special remedial steps adopted to address material control deficiencies;
16. Review any significant deficiencies in the design or operation of the Company's internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting disclosed to the Audit Committee by the Company's Chief Executive Officer and Chief Financial Officer in connection with their certification requirements for the Company's periodic reports on Form 10-K and Form 10-Q;
17. Discuss with management and the Company's independent auditor any significant changes to generally accepted accounting principles ("GAAP"), SEC or other regulatory accounting policies or standards and any off-balance sheet structures that could impact the Company's financial statements;
18. Review major issues regarding accounting principles and practices that could significantly impact the Company's financial statements and discuss with the Company's independent auditor the matters required to be discussed by Statement of Accounting Standards No. 61, including significant accounting policies, management judgments and accounting estimates that affect the financial statements, any difficulties encountered in the course of the audit work, any restrictions on the scope of the auditor's activities or access to requested information, and disagreements with management;
19. Review and discuss with the independent auditor and management the auditor's reports describing all critical accounting policies and practices to be used, alternative GAAP methods discussed with management, the ramifications of using such alternative methods and the auditor's preferred method, and any other material communications between the auditor and management;
20. Review and resolve any significant disputes between management and the independent auditor that arise in connection with the preparation of the Company's audited financial statements;

Internal Audit Activities

21. Review the adequacy and effectiveness of the Company's internal audit activities and review any significant reports (or summaries thereof) prepared by employees performing such activities, together with management's response and follow-up to such reports;
22. Periodically meet with the head of the internal audit function of the Company in executive session to discuss any matters the Audit Committee or the internal auditor believes should be discussed privately with the Audit Committee;

Risk Management and Legal Compliance

23. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies;
24. Establish and review policies relating to the investment of the Company's assets;
25. Review with the Company's general counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies;
26. Establish and review procedures and processes for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
27. Establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
28. Annually review the content of the Company's Code of Ethics and recommend to the Board any amendments deemed necessary or appropriate, and monitor adherence to the Code of Ethics;
29. Annually review with management the adequacy of the Company's liability insurance policies, including D&O liability coverage;

Related Party Transactions; Other Duties

30. Review and pre-approve at least annually all transactions, if any, between the Company and related parties, other than compensation transactions;
31. Annually, together with the Board, review its own performance;
32. Report regularly to the Board on the Audit Committee's activities; and
33. Perform other functions as requested by the Board, or as required by law, applicable NASDAQ rules or provisions in the Company's charter documents, or as are otherwise necessary and advisable, in its or the Board's discretion, to the efficient discharge of its duties hereunder.

Last update: July 28, 2009