

SEMILEDs CORPORATION
AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee (the “Audit Committee”) of the board of directors (the “Board”) of SemiLEDs Corporation, a Delaware corporation (the “Company”), is to oversee the accounting and financial reporting processes of the Company and audits of its financial statements, the effectiveness of the Company’s internal control over financial reporting and to make such reports as may be required of an audit committee under the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including Section 10A of the Exchange Act and Rule 10A-3, including without limitation the Audit Committee report to stockholders for inclusion in the Company’s annual proxy statement. The Audit Committee is not responsible, however, for planning or conducting audits, or determining whether the Company’s financial statements are complete and accurate or in accordance with generally accepted accounting principles.

Membership and Organization

The Audit Committee shall be comprised of at least three (3) independent members, each of whom shall be a duly appointed member of the Board. Such members shall be appointed by the Board annually and each member of the Audit Committee shall serve at the pleasure of the Board and may be replaced by the Board. Unless a chair is designated by the Board, the members of the Audit Committee may appoint a chair of the Audit Committee.

At any time during which the Company is subject to the periodic reporting requirements of the Exchange Act, each of the members of the Audit Committee shall be:

- independent, as that term is defined from time to time in Section 10A(m) of the Exchange Act, and the applicable rules and regulations (“Regulations”) of the Securities and Exchange Commission (“SEC”);
- independent, in accordance with the requirements of each stock exchange on which the Company’s shares are listed for trading or otherwise publicly quoted (except as otherwise permitted under such rules); and
- financially literate, in accordance with the requirements of each stock exchange on which the Company’s shares are listed for trading or otherwise publicly quoted (except as otherwise permitted under such rules) and as such qualification is interpreted by the Board in its business judgment, or become financially literate within a reasonable time after appointment to the Audit Committee

At least one member will have accounting or related financial management expertise, as such qualification is interpreted by the Board in its business judgment, and it is anticipated that at least one member of the Audit Committee shall be designated an “audit committee financial expert” for the disclosure purposes set forth in the Regulations. The designation or determination by the Board of a person as an “audit committee financial expert” will not impose

on such person individually, on the Audit Committee, or on the Board as a whole, any greater duties, obligations or liability than would exist in the absence of such a designation or determination.

A majority of the total number of then-serving members of the Audit Committee shall constitute a quorum for the transaction of business at committee meetings. The approval of a majority of such quorum shall constitute a valid act of the Audit Committee at a duly held committee meeting. The Audit Committee may also act by unanimous written consent of the then-serving members of the Audit Committee.

Authority and Responsibilities

The authority delegated to the Audit Committee is set forth below. This description of authority is intended as a guide and the Audit Committee may act and establish policies and procedures that are consistent with these guidelines or are necessary or advisable, in its discretion, to carry out the intent of the Board in delegating such authority and to fulfill the responsibilities of the Audit Committee hereunder. The Audit Committee is charged by the Board with the authority and responsibility to:

1. Appoint, retain, oversee and determine the compensation of a “registered public accounting firm” (as that term is defined in Section 2(a) of the Sarbanes-Oxley Act of 2002) to serve as the Company’s independent auditor, oversee the work of the independent auditor (including resolution of any disagreements between management and the independent auditor regarding financial reporting), evaluate the performance of the independent auditor and, if so determined by the Audit Committee, replace the independent auditor.
2. Review the plan for and the scope of the audit and related services at least annually.
3. Approve, in accordance with Sections 10A(h) and (i) of the Exchange Act, the Regulations and the Auditing Standards of the Public Company Accounting Oversight Board, all professional services, to be provided to the Company by its independent auditor, provided that the Audit Committee shall not approve any non-audit services proscribed by Section 10A(g) of the Exchange Act in the absence of an applicable exemption. The Audit Committee may adopt policies and procedures for the approval of such services which may include delegation of authority to a designated member or members of the Audit Committee to approve such services so long as any such approvals are disclosed to the full Audit Committee at its next scheduled meeting.
4. Ensure the receipt of, and evaluate the written disclosures and the letter that the independent auditor submits to the Audit Committee regarding the auditor’s independence in accordance with applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence, discuss such reports with the auditor, oversee the independence of the independent auditor and, if so determined by the Audit Committee in response to such reports, take appropriate action to address issues raised by such evaluation or recommend such action to the full Board.

5. Discuss with the independent auditor those matters required to be discussed by Statement on Auditing Standards No. 114, as it may be modified or supplemented.
6. Discuss with the independent auditor and management the Company's risk assessment and risk management guidelines, policies and processes.
7. On behalf of the Board, oversee the principal risk exposures facing the Company and the Company's mitigation efforts in respect of such risks, including, but not limited to financial reporting risks and credit and liquidity risks.
8. Review with management any significant changes to United States generally accepted accounting principles ("U.S. GAAP"), SEC and other accounting policies or standards that will impact or could impact the financial reports under review.
9. Review significant changes to the Company's accounting principles and practices proposed by the independent auditor, the internal auditor if any, or management.
10. Instruct the independent auditor and the internal auditor, if any, to advise the Audit Committee if there are any subjects that require special attention.
11. Instruct the independent auditor to report to the Audit Committee on all critical accounting policies of the Company, 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 other material written communication between the independent auditor and management, and discuss these matters with the independent auditor and management.
12. Meet with management and the independent auditor to discuss the annual financial statements included in the annual report on Form 10-K to be filed in accordance with the Exchange Act, including Management's Discussion and Analysis of Financial Condition and Results of Operations contained therein, and the report of the independent auditor with respect to such annual financial statements and to discuss significant issues encountered in the course of the audit work, including: restrictions on the scope of activities; access to required information; the adequacy of internal controls, including any special steps adopted in light of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting identified during the course of the annual audit, and the adequacy of disclosures about changes in internal control over financial reporting; the adequacy of the disclosure of off-balance sheet transactions, arrangements, obligations and relationships in reports filed with the SEC; and the appropriateness of the presentation of any non-GAAP financial measures (as defined in the Regulations) included in any report filed with the SEC or in any public disclosure or release.
13. Review and discuss with management and the independent auditor management's report on internal control over financial reporting, and the independent auditor's audit of the effectiveness of the Company's internal control over financial reporting and its attestation report, if required, prior to the filing of the Form 10-K.

14. Following such review and discussions, if so determined by the Audit Committee, recommend to the Board that the annual financial statements be included in the Company's annual report on Form 10-K.

15. Generally review and discuss the Company's earnings press releases, as well as any financial information and earnings guidance provided to analysts and rating agencies.

16. Discuss with management and the independent auditor the quarterly financial statements prior to the filing of the Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations contained therein; provided that this responsibility may be delegated to the chairman of the Audit Committee or a member of the Audit Committee who is a financial expert.

17. Periodically conduct separate executive sessions with management, the internal auditor, if any and the independent auditor to discuss matters that any of them or the Audit Committee believes could significantly affect the financial statements and should be discussed privately; and review with the independent auditor any audit problems or difficulties and management's response.

18. Have such direct and independent interaction with members of management, including the Company's Chief Financial Officer and Chief Accounting Officer, if any, as the Audit Committee believes appropriate.

19. Review the scope and results of internal audits, if any.

20. Evaluate the performance of the internal auditor, if any, and, if so determined by the Audit Committee, recommend replacement of the internal auditor.

21. Conduct or authorize such inquiries into matters within the Audit Committee's scope of responsibility as the Audit Committee deems appropriate.

22. Establish and maintain procedures for the receipt, retention and treatment of any complaints received by the Company about its accounting, internal accounting controls or auditing matters, and establish and maintain a whistleblower policy for the confidential and anonymous submission by employees and consultants of the Company to bring to the attention of the Audit Committee concerns regarding the financial reporting of the Company or other questionable accounting or auditing matters, and to report potential misconduct to the Audit Committee.

23. The Audit Committee shall review and oversee procedures designed to identify related party transactions as such term is used by SFAS No. 57 or by rules of Nasdaq or the SEC, as required by any ethics policy adopted by the Board or the Audit Committee or required to be disclosed in the Company's financial statements or otherwise required to be disclosed under applicable laws and rules adopted by the SEC. The Audit Committee shall have the authority to approve any such "related party" transactions. It is management's responsibility to bring such related party transactions to the attention of the members of the Audit Committee.

24. Engage and terminate independent counsel and other advisers as the Audit Committee determines necessary to carry out its responsibilities.

25. Cause the officers of the Company to provide such funding as the Audit Committee shall determine to be appropriate for payment of compensation to the Company's independent auditor and any legal counsel or other advisers engaged by the Audit Committee, and payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

26. Perform such other activities and functions as are required by law, applicable stock exchange 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.

Meetings

The Audit Committee shall meet as often as it determines necessary, but it is anticipated that the Audit Committee shall meet at least four (4) times each year. The Audit Committee chair may call committee meetings and, in consultation with other Audit Committee members, shall determine the frequency and length of committee meetings and shall set agendas for such meetings consistent with this Charter. In the absence of a Audit Committee chair, a majority of the members of the Audit Committee may call a meeting of the Audit Committee.

The Audit Committee will regularly meet privately with senior management, the independent auditor, and the senior internal audit executive, if any, and will meet in executive sessions at each quarterly meeting of the Audit Committee and at other times as necessary or appropriate.

Minutes and Reports

The Audit Committee shall make regular reports to the Board with respect to significant actions and determinations made by the Audit Committee. The Audit Committee shall maintain written minutes of its meetings and shall, to the extent deemed appropriate, record its summaries of recommendations to the Board in written form. The minutes and the recommendations, as applicable, shall be incorporated as part of the minutes of the Board. To the extent required by applicable law, the Audit Committee will also prepare and sign a Report of the Audit Committee for inclusion in the Company's proxy statement for its Annual Meeting of Stockholders.

Periodic Review

The Audit Committee will periodically review its own performance and report on its conclusions in this regard to the Board. In addition, the Audit Committee will annually review this Charter and make recommendations to the Board with regard to appropriate changes to the Charter.

As adopted on October 7, 2010.

