

**CHARTER FOR THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF  
MONOLITHIC POWER SYSTEMS, INC.**

(As Amended Through April 19, 2010)

**1. PURPOSE**

The purpose of the Audit Committee of the Board of Directors (the “**Board**”) of Monolithic Power Systems, Inc. (the “**Company**”) shall be to:

- Provide oversight of the Company’s accounting and financial reporting processes and the audit of the Company’s financial statements;
- Appoint independent auditors to audit the Company’s financial statements and carry out the other audit committee requirements set forth in Rule 10A-3 promulgated under the Securities Exchange Act of 1934;
- Assist the Board in the oversight of: (i) the integrity of the Company’s financial statements; (ii) the Company’s compliance with legal and regulatory requirements; (iii) the independent auditor’s qualifications, independence and performance; and (iv) the Company’s internal accounting and financial controls; and
- Provide to the Board such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board.

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

**2. MEMBERSHIP AND ORGANIZATION**

**Composition.** The Audit Committee will be appointed by, and serve at the discretion of, the Board. The Board of Directors may designate one member of the Audit Committee as chairman. The Audit Committee will consist of at least three (3) members of the Board. Members of the Audit Committee must meet the following criteria (as well as any criteria required by the Securities and Exchange Commission (the “**SEC**”) or the Nasdaq Stock Market, Inc. Marketplace Rules (the “**Nasdaq Rules**”)):

- Each member must satisfy the requirements for independence set out in: (i) the Nasdaq Rules and (ii) the rules of the SEC;

- Each member must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three (3) years;
- Each member will be able to read and understand fundamental financial statements, in accordance with the Nasdaq Rules;
- At least one member will 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, including a current or past position as a principal financial officer or other senior officer with financial oversight responsibilities; and
- At least one member will qualify as an "audit committee financial expert," as defined in the rules of the SEC.

***Meetings and Procedures.*** The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Audit Committee and set the agendas for Audit Committee meetings. The Audit Committee will meet at least once during each fiscal quarter and more frequently as the Audit Committee deems desirable. The Audit Committee may establish its own meeting schedule, notice and conduct of its meetings. The Audit Committee will meet separately, and periodically, with management (which shall include the Company's Chief Executive Officer, Chief Financial Officer and General Counsel each, individually and independently), with the internal auditor and with the independent auditor of the Company, at such times as it deems appropriate, but not less than annually.

The Audit Committee may, at its discretion, include in its meetings other Board members, members of the Company's management, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Audit Committee believes to be necessary or appropriate. The Audit Committee may also exclude from its meetings any persons it deems appropriate.

The independent auditors shall report directly to the Audit Committee. In addition, the Audit Committee may retain any independent counsel, experts or advisors (accounting, financial or otherwise) that the Audit Committee believes to be necessary or appropriate. The Audit Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Audit 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 payment of compensation to any advisors employed by the Audit Committee and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties. The Audit Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Audit Committee.

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Audit Committee shall make regular reports to the Board of Directors on the actions and recommendations of the Audit Committee.

**Compensation.** Members of the Audit Committee may receive cash fees, if any, for their service as Audit Committee members as may be determined by the Board. Members of the Audit Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board or any committee thereof. [In particular, no member of the Committee may accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries.]

### **3. POWER AND RESPONSIBILITIES**

The power and responsibilities of the Audit Committee shall include:

#### ***Internal Audit***

- Reviewing the appointment and replacement of the internal auditor; and
- Meeting periodically with the Company's internal auditor to discuss the responsibilities, budget and staffing of the Company's internal audit function and any issues that the internal auditor believes warrant the Audit Committee's attention. The Audit Committee shall discuss with the internal auditor any significant reports to management prepared by the internal auditor and any responses from management.

#### ***Review Procedures***

- Reviewing the reports of management and the independent auditors concerning the design, implementation and maintenance of the Company's system of internal controls and procedures for financial reporting, including meeting periodically with the Company's management and the independent auditors to review their assessment of the adequacy of such controls and to review before release the disclosure regarding such system of internal controls required under SEC rules to be contained in the Company's periodic filings and, when applicable, required attestations or reports by the independent auditors relating to such disclosure;
- Reviewing and overseeing the external audit by (i) reviewing the independent auditors' proposed audit scope and approach; (ii) discussing with the Company's independent auditors the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management and any other matters described in Public Company Accounting Oversight Board (PCAOB) section AU 380, or any successor rule or any similar applicable rule or regulation, or other relevant matters; (iii) reviewing with the independent auditors the Company's critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and the treatment recommended by the independent auditors, and other material written communications between the independent auditors and management; and (iv) reviewing reports submitted to the Audit Committee by the independent auditors in accordance with the applicable SEC requirements;

- Reviewing before release the unaudited quarterly operating results in the Company's quarterly earnings release, and reviewing and discussing the annual audited financial statements and quarterly unaudited financial statements with management, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, respectively, with the SEC;
- [Reviewing before release any other material financial information of the Company in press releases or other SEC filings, including Current Reports on Form 8-K or proxy statements;]
- Recommending to the Board of Directors, if deemed appropriate, that the audited financial statements be included in the Company's Annual Report on Form 10-K, in accordance with the rules and regulations of the SEC;
- Reviewing with the Company's independent auditors, before filing with the SEC, the results of the independent auditor's review of the Company's interim financial statements included in Quarterly Reports on Form 10-Q; and
- Conducting a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors and management's response to such suggestions.

### ***Independent Auditors***

- Be directly responsible for appointing, compensating, retaining and overseeing the work of the independent auditor (including resolving disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- Reviewing the independence of the outside auditors, including (i) obtaining on a periodic basis a written statement from the independent auditors regarding relationships and services with the Company that may impact independence, as defined by applicable standards and SEC requirements, and discussing with the independent auditors their independence, (ii) presenting this statement to the Board, and (iii) to the extent there are relationships, monitoring and investigating them; and
- Pre-approving audit and permissible non-audit services provided to the Company by the independent auditor, except where pre-approval of audit and permissible non-audit services is not required under (i) pre-approval policies and procedures established by the Audit Committee, provided, the Audit Committee is informed of each service provided and such policies and procedures do not include delegation of the Audit Committee's responsibilities, or (ii) are de minimis under the rules of the SEC. The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approvals are presented to the Audit Committee at a subsequent meeting.

### ***Other Powers and Responsibilities***

- Overseeing compliance with the requirements of the SEC for disclosure of auditor’s services and audit committee members, member qualifications and activities;
- Reviewing all related party transactions on an ongoing basis and all such transactions must be reviewed and approved in advance by the Audit Committee;
- Discussing with the Company’s General Counsel or outside counsel any legal matters brought to the Audit Committee’s attention that could reasonably be expected to have a material impact on the Company’s financial statements;
- Discussing with management the Company’s policies with respect to risk assessment and risk management;
- Establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submission by employees regarding questionable accounting or auditing matters and reporting to the Board periodically on any such complaints or submissions;
- Providing the Company with a report for inclusion in the Company’s proxy statement in accordance with the rules and regulations of the SEC;
- At least annually, performing an evaluation of the processes of the Audit Committee, and reviewing and reassessing this charter and submitting any recommended changes to the Board for its consideration;
- Reviewing management’s monitoring of compliance with the Foreign Corrupt Practices Act; and
- Reviewing approving and monitoring the Company’s code of ethics for its principal executive and senior financial officers.

#### **4. LIMITATION OF AUDIT COMMITTEE’S ROLE**

The Audit Committee’s responsibility is one of oversight. The members of the Audit Committee are not employees of the Company, and they do not perform, or represent that they perform, the functions of management or the independent auditors. The Audit Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. The management of the Company is responsible for preparing accurate and complete financial statements in accordance with generally accepted accounting principles and for establishing and maintaining appropriate accounting principles and financial reporting policies and satisfactory internal control over financial reporting. The independent auditor is responsible for auditing the Company’s annual consolidated financial statements and the effectiveness of the Company’s internal control over financial reporting and reviewing the Company’s quarterly financial statements. It is not the responsibility of the Audit Committee to prepare or certify the Company’s financial statement or guarantee the audits or reports of the independent auditors, nor is it the duty of the Audit Committee to certify that the independent auditor is “independent” under

applicable rules. These are the fundamental responsibilities of management and the independent auditors.