

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF
TII NETWORK TECHNOLOGIES, INC.**

I. PURPOSE

The primary function of the Audit Committee (the "Committee") is to oversee the accounting and financial reporting processes of TII Network Technologies, Inc. and its subsidiaries (the "Company") and the audits of the financial statements of the Company by reviewing the financial reports and other financial information being provided by the Company to any governmental body or the public; the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Company's Board of Directors (the "Board") have established or may establish; and the Company's auditing, accounting and financial reporting processes generally. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Review financial and operating topics representing significant risk to the Company.
- Be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditor.
- Review and appraise the audit efforts of the Company's independent auditor.
- Provide an open avenue of communications among the independent auditors, financial and senior management and the Board.
- Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters.
- Pre-approve all audit services and permissible non-audit services as set forth in Section 10A(i) of the Securities Exchange Act of 1934 (the "Exchange Act").

The Committee will fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter and such other activities consistent with this Charter as may from time to time be necessary or appropriate.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company'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/or the independent auditor.

Nothing contained in this Charter is intended to, or should be construed as, creating any responsibility or liability of the members of the Committee except to the extent otherwise provided under the Delaware General Corporation Law, which shall continue to set the legal standard for the conduct of the members of the Committee.

II. COMPOSITION OF THE AUDIT COMMITTEE

The Committee shall be comprised of at least three members of the Board, as determined by the Board, each of whom must be an "independent director" and free from any relationship that, in the opinion of the Board, would interfere with the exercise of the member's, or the proposed member's, independent judgment in carrying out his or her responsibilities as a director and as a member of the Committee. An "independent director" is a member of the Board who meets the criteria for independence set forth in Section 10A(m)(3) of the Exchange Act, Rule 10A-3(b)(1) promulgated thereunder by the Securities and Exchange Commission (the "SEC") and Marketplace Rule 4200 of the Nasdaq Stock Market, Inc. ("Nasdaq") for audit committees, all as amended, modified or supplemented from time to time, subject to such exceptions and exemptions as may be permissible under the rules of the SEC and the Nasdaq. No member of the Committee may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company nor may he or she be an affiliated person of the Company under applicable SEC or Nasdaq rules.

All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Additionally, at least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in such member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Company shall also disclose (in accordance with SEC and Nasdaq rules) whether, based on a determination of the Board, at least one member of the Committee meets the criteria of an "audit committee financial expert," within the meaning of Rule 401(h) promulgated by the SEC under the Exchange Act and any rules adopted by Nasdaq with respect thereto, as same may be amended, modified or supplemented from time to time. All determinations pursuant to this paragraph shall be made by the Board.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve at the pleasure

of the Board. Unless a chairperson of the Committee (the "Chairperson") is elected by the Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee.

III. MEETINGS

The Committee shall meet from time to time as called by the Chairperson or as requested by management or the Company's independent auditors. The Chairperson will prepare a meeting agenda with the input of management and the independent auditor and in a timely manner to allow for adequate preparation and participation during a meeting. Members of the Committee may participate in any meeting of the Committee by means of conference telephone or other telecommunications equipment by means of which all persons participating in the meeting can hear each other. The Committee may ask members of management or others to attend meetings of the Committee, or portions thereof, and provide pertinent information as necessary. The Committee may meet with management, the Company's independent auditors or others in separate executive sessions to discuss any matters that the Committee or those with whom the Committee proposes to meet believe should be discussed privately. The Committee shall maintain minutes or other records of meetings and activities of the Committee, making the minutes available to any Board member at any time he or she requests them. The Committee shall report regularly to the full Board of Directors and provide the Board such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the person designated by the Committee to make such report.

IV. RESPONSIBILITIES AND DUTIES

The Committee shall:

Documents/Reports Review

- 1. Review, prior to its filing or prior to its release, as the case may be, the Company's Annual Report on Form 10-K, annual report to stockholders and press release with respect to financial information contained therein.**
- 2. Review, prior to their filing or release, as the case may be, the Company's Quarterly Reports on Form 10-Q and press release with respect to financial information contained therein. The Chairperson may represent the entire Committee for the purposes of this review.**
- 3. Review such other financial information as may be submitted to the SEC or the public, as the Audit Committee shall deem appropriate. The Chairperson may represent the entire Audit Committee for the purposes of this review.**

4. In connection with the reviews of all such reports and financial information, consult with the Company's management and independent auditors as to the completeness and accuracy of such reports and financial information and discuss with the independent auditor the matters required to be discussed by Statement of Auditing Standards 61 and, to the extent applicable, Statement of Auditing Standards 100 (formerly Statement of Auditing Standards 71), each as in effect at that time.
5. Recommend to the Board whether the Company's financial statements for the year covered by such report should be included in the Company's Annual Report on Form 10-K.
6. Prepare a report of the Committee to be included in the Company's Proxy statement for annual meetings of stockholders in accordance with SEC rules.

Independent Auditors

1. Have the sole authority to appoint, discharge and replace the Company's independent auditor. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditors regarding financial reporting). The independent auditor shall be accountable to, and report directly to, the Committee.
2. On an annual basis, consider the independence of the Company's independent auditor, including reviewing and discussing with the auditor all significant relationships which effect the auditor's independence, reviewing whether the provision by the independent auditor of permitted non-audit services is compatible with the independent auditor's independence and receiving the written statement from the independent auditor required by Independence Standards Board Standard No. 1, as amended, modified or supplemented from time to time, and 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 independent auditor.
3. Pre-approve all audit and permitted non-audit services to be performed by the independent auditor (including the terms of its engagement with respect thereto), explicitly and/or through policies and procedures adopted by the Committee; consider whether the provision of non-audit services is compatible with maintaining the independent auditor's independence; and

approve all engagement letters between the Company and the independent auditor for both audit and permitted non-audit services. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this Section. The decisions of the members to whom such authority is delegated shall be presented to the full Committee at its next scheduled meeting. Approvals by the Committee (or such designated members) of a non-audit service to be performed by the Company's independent auditor shall be disclosed, in the manner and to the extent required by the SEC, in the Company's periodic reports filed with the SEC.

4. Review and evaluate the lead partner and other members of the independent auditor's team.
5. Ensure the rotation of the audit partners, including, without limitation, the lead partner and concurring or reviewing partner, pursuant to Rule 2-01(c)(6), each of Regulation S-X promulgated by the SEC.
6. Recommend to the Board policies, not inconsistent with Rule 2-01(c)(2) of Regulation S-X promulgated by the SEC, for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

1. Financial Reporting Processes

1. Review and discuss the quality of the financial reporting process with management and the independent auditors; and make inquiries as to the appropriateness of the Company's accounting principles as applied to its financial statements.
2. Review and discuss with management and the independent auditors any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
3. Review and discuss quarterly, with management and the independent auditor, the Company's critical accounting policies and practices to be used in the Company's financial statements and alternate treatments of the application of accounting principles related to material items that have been discussed with the Company's management and that may be used in the preparation of the Company's financial statements, including the ramifications of the use of such alternate

treatments, and the treatment preferred by the independent auditor.

4. Review disclosures made to the Committee by the Company's principal executive officer and principal financial officer during their certification process with respect to the Reports on Forms 10-K and 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 Company's internal controls.
5. Consider and approve, if appropriate, the adoption of new, and major changes to the Company's existing accounting principles and practices as suggested by the independent auditor or management.
6. Have discussions with management and the independent auditor regarding the interim financial reporting process, if and when required.
7. Review the accounting for significant or unusual transactions and for significant audit adjustments.

Process Improvement

1. Meet with the independent auditors and management of the Company to review the scope of the proposed audit for the current year and the audit procedures proposed to be utilized.
2. Review with management and the independent auditors any material weaknesses in the Company's system of internal control.
3. Periodically consult with the independent auditor, out of the presence of management, about the Company's internal controls and disclosure controls and the completeness and accuracy of the Company's financial statements.
4. Review, assess and discuss with management and the independent auditor material written communications between the independent auditor and management, such as any management letter, recommendations on financial reporting, internal and disclosure controls and other matters, and schedules of unadjusted differences, and management's responses to such communications.
5. Discuss with the independent auditors significant financial risk exposures.

6. Following completion of the annual audit, review separately with each of management and the independent auditors any significant issues encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
7. Review with the independent auditor any significant disagreement among management and the independent auditors in connection with the preparation of any of the Company's financial statements.
8. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.
9. Meet at least annually with management and the independent auditors to discuss any matters that the Audit Committee, management or the independent auditors believe should be discussed privately.

Legal Compliance

1. Review at least annually, with the Company's counsel, legal compliance matters.
2. Review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements.
3. Review and assess the results of all material regulatory examinations, including, but not limited to, SEC comments and inquiries, review findings, recommendations and management's responses.

Ethical Compliance

1. Establish 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.
2. Approve, if the duty is not delegated to a comparable body of the Board, all related party transactions in accordance with the regulations of the Nasdaq and, to the extent appropriate, the Delaware General Corporation Law.

3. **Establish, review and update periodically a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and review measures established to enforce the code of ethics.**

Review of Charter and Committee Performance

1. **Review and reassess the adequacy of this Charter periodically, but at least annually, and update this Charter as conditions dictate.**
2. **Review its own performance at least annually.**

Other Responsibilities

Perform such other activities consistent with this Charter, and the Company's Certificate of Incorporation, By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

V. CERTAIN OTHER AUTHORITY

The Committee shall have the authority to engage independent counsel, accountants and other advisors, as it determines necessary to carry out its duties.

The Committee shall have sole authority to provide for appropriate funding, as determined by the Committee, for the payment of (i) compensation to the Company's independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisors employed by the Committee under the preceding paragraph of this Charter; and (iii) ordinary administrative expenses for the Committee that are necessary or appropriate, in the Committee's discretion, in carrying out its duties.

September 24, 2003