

VOLCANO CORPORATION
AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee (the “Committee”) of Volcano Corporation (the “Company”) shall assist the board of directors of the Company (the “Board”) in monitoring and overseeing the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or other related services for the Company (such registered public accounting firms hereinafter referred to as “independent auditors”).

The Board recognizes that management has more time, knowledge and detailed information on the Company than do the Committee members. The Committee is not providing any expert or special assurance as to the Company’s financial statements, any professional certification as to the independent expert, any special assurance as to the Company’s financial statements, or any professional certification as to the independent auditor’s work. It is not the duty of the Committee to determine that the Company’s financial statements are complete and accurate. This is the responsibility of management. It is the duty of the Committee to select, appoint, determine funding for, and oversee the independent auditors for the Company. It is not the duty of the Committee to plan or conduct audits. This is the responsibility of the independent auditors.

The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the Company’s stockholders.

II. ORGANIZATION

Appointment and Removal

1. The members of the Committee shall be appointed and removed by the Board based on the recommendations of the Corporate Governance Committee, and each member shall serve until a successor is duly elected or the member is removed or resigns.
2. A member of the Committee shall be removed if (1) the member is no longer a director of the Company, (2) is determined by the Board to no longer be independent in accordance with applicable law and rules of the Nasdaq Stock Market, or (3) is ineligible because of other rules or requirements.
3. The Committee will be composed of not less than three Board members.

4. The Board shall designate the Chairperson of the Committee, who shall chair all meetings of the Committee and perform such other activities as from time to time are requested.

Qualifications

5. Each member of the Committee shall be an independent director, as determined by the Board in accordance with applicable law and the rules of the Nasdaq Stock Market.
6. All members of the Committee shall be able to read and understand fundamental financial statements and otherwise be financially literate and experienced as required by applicable law and the rules of the Nasdaq Stock Market.
7. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in that individual satisfying the applicable Nasdaq Stock Market financial sophistication requirements in effect from time to time.

III. DUTIES AND RESPONSIBILITIES

The Committee shall have the full power and authority to:

Financial Statements and Disclosure

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made under the caption “management’s discussion and analysis of financial condition and results of operations,” and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K and the Company’s annual report to stockholders.
2. Review and discuss with management and the independent auditor the Company’s quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor’s review of the quarterly financial statements and disclosures made under the caption “management’s discussion and analysis of financial condition and results of operations.”
3. Review and discuss with management Current Reports on Form 8-K relating to financial and accounting matters, or as requested by the Board.
4. In consultation with the management and the independent auditors, consider the integrity of the Company’s financial reporting processes and controls. Discuss and review significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors together with management’s responses.

Review with management the adequacy of internal controls and procedures that could materially affect the Company's financial statements. Such reviews should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments.

5. Review with management and the independent auditors any material financial reporting issues and judgments, including the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles, made in connection with the preparation of the Company's financial statements.
6. Discuss with management and the independent auditors any disagreements that may arise between them regarding financial reporting. The Committee shall be responsible for resolving such disagreements.
7. The Committee shall review and approve any "non-GAAP" financial disclosures (including but not limited to pro forma financial disclosures) prior to their release by the Company.
8. The Committee shall review and discuss with management any off-balance sheet financing arrangements to which the Company is a party.
9. The Committee shall discuss with the independent auditors any material correcting adjustments that have been identified by the independent auditors and made to conform to GAAP.
10. Review with management and the independent auditors, as appropriate, earnings press releases, as well as the substance of financial information and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions of the type of information to be disclosed or the type of presentation to be made.

Independent Auditors

11. Select, appoint, determine funding for, and oversee the independent auditors for the Company. The Committee shall pre-approve all services to be performed by and fees to be paid to the independent auditors and the terms of their engagement, including audit, internal control-related and, if applicable, permitted non-audit services. To the extent required by law, the Company shall provide for appropriate funding as determined by the Committee for payment of compensation to the independent auditors so engaged by the Committee and for ordinary administrative expenses necessary or appropriate in carrying out the Committee's duties. The independent auditors shall report directly to the Committee.
12. Prior to engagement of any prospective independent auditors, and at least annually, the Committee shall require the independent auditors to provide a formal written statement delineating all relationships between the independent

auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, consistent with the Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, of the Public Company Accounting Oversight Board (United States) (the “PCAOB”). The Committee shall review and discuss with the independent auditors their independence from the Company and actively engage the auditors in a dialogue with respect to any disclosed relationship or services that may impact their objectivity and independence. The Committee shall take appropriate action to oversee the independence of the independent auditors.

13. Receive periodic reports from the independent auditors relating to, among other things, critical accounting polices and practices, alternative treatments under GAAP, communications between the independent auditors and management of the Company and reports of the effectiveness of the Company’s internal controls and/or other reports which may be required to be given by the independent auditors to the Company and/or the Committee.
14. Prior to the audit, review the independent auditors’ audit plan.
15. Evaluate the performance of the independent auditors and, if so determined by the Committee, replace the independent auditor.
16. Review and evaluate the lead partner of the independent auditor team and monitor the rotation of partners of the independent auditors as required by applicable laws and rules.
17. Meet with the independent auditors following the annual audit to (a) review with the independent auditors any problems or difficulties encountered in connection with the audit, the adequacy of the internal accounting controls, the financial and accounting personnel and, if a management letter was provided by the independent auditors, the management letter and the Company’s response to that letter, and (b) discuss any significant changes to the Company’s auditing or accounting principles and practices and discuss any items required to be communicated by the independent auditors in accordance with SAS 61 (or any successor rule adopted by the PCAOB).
18. Oversee the Company’s internal audit function, including review of the appointment and replacement of senior personnel and review of related reports to management.
19. Review with the independent auditors, as appropriate, communications between the audit team and the firm’s national office with respect to accounting or auditing issues presented by the engagement.

Other Committee Responsibilities

20. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company or any of its subsidiaries of concerns regarding questionable accounting or auditing matters.
21. Perform any other activities consistent with this Charter, the Company's certificate of incorporation (as such may be amended or amended and restated from time to time), the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
22. The Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
23. The Committee, or another independent body of the Board of Directors, shall review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and rules, as well as to its Code of Business Conduct and Ethics, and shall review, approve and conduct oversight of all related-party transactions for potential conflict of interest situations on an ongoing basis as required by applicable law and the rules of the Nasdaq Stock Market.
24. Review and reassess the adequacy of this Charter and the performance of the Committee at least annually and recommend any proposed changes to the Board for approval.
25. Consider and, if deemed appropriate, adopt a policy regarding Committee pre-approval of employment by the Company of individuals employed or formerly employed by the independent auditors and engaged on the Company's account.
26. To consider and review with management, the independent auditors, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

IV. RESOURCES AND AUTHORITY

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and to retain outside legal counsel, accountants or other consultants for this purpose or to advise the Committee on any matter within the scope of its responsibilities, as it deems necessary or appropriate, without the need to seek approval of the Board or management.

The Company shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of: compensation to the independent

auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or other related services for the Company; compensation of any advisers employed by the Committee; and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may delegate to one or more Committee members the authority to pre-approve non-audit services between regularly scheduled meetings of the Committee provided that such approvals are reported to the Committee at the next meeting.

V. MEETINGS AND REPORTS

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority of the members present at any meeting of which a quorum is present may act on behalf of the Committee. The agenda of each Committee meeting shall be established by the Chairperson with the assistance of appropriate members of management. Each Committee member is free to suggest the inclusion of items on the agenda. Each Committee member is free to raise at any Committee meeting subjects that are not on the agenda for that meeting. The agenda, whenever reasonably practicable, shall be circulated to each Committee member prior to the meeting date.

The Committee shall meet periodically in separate executed sessions with management, the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall maintain minutes of each meeting. The Committee shall report the matters discussed at each meeting to the Board from time to time, or whenever so requested by the Board, including with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the independent auditors, the performance of the Company's internal audit function or such other matters as the Committee deems appropriate from time to time or whenever it shall be call upon to do so by the Board. The Committee may meet by telephone or video conference and may take action by written consent.