

October 24, 2008

## BALQON CORPORATION

### AUDIT COMMITTEE CHARTER

#### General Purpose

The general purpose of the Audit Committee (the “*Committee*”) of Balqon Corporation (“*Balqon*”) is to assist the Board of Directors (the “*Board*”) of Balqon in fulfilling its responsibility to oversee management regarding:

- (i) the conduct of Balqon’s financial reporting process and the integrity of the financial reports and other financial information provided by Balqon to any governmental or regulatory body, the public or other users thereof;
- (ii) the functioning of Balqon’s systems of internal accounting and financial controls;
- (iii) the engagement, compensation, performance, qualifications and independence of Balqon’s independent registered public accounting firm, its conduct of the annual independent audit of Balqon’s financial statements, and its engagement for all other services; and
- (iv) the portions of Balqon’s Code of Ethics and Corporate Conduct that relate to the integrity of Balqon’s financial reporting.

#### Membership

The Committee must consist of at least three members of the Board, unless the Board consists of three or less directors, in which case the Committee will consist of at least two members of the Board (or the entire Board may act as the Committee).

If Balqon is a listed company, the composition of the Committee must meet the independence requirements of the national securities exchange or national securities association on which Balqon’s common stock then trades. Additionally, each of the directors on the Committee must meet the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”).

Until Balqon is listed on a national securities exchange or national securities association, the Board will make efforts to place directors on the Committee that meet the independence requirements of the National Association of Securities Dealers Automated Quotations (“*NASDAQ*”)<sup>1</sup> and the requirements of Rule 10A-3 of the Exchange Act.

---

<sup>1</sup> NASDAQ requires an audit committee of at least three members, each of whom must (i) be “independent,” as defined in Section 4200(a)(15) of the NASDAQ Stock Market Rules, (ii.) meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act, and (iii.) not have participated in the preparation of the financial statements of Balqon during the past three years.

The members of the Committee are appointed by and serve at the discretion of the Board.

Experience. If Balqon is a listed company, all members of the Committee must be able to read and understand fundamental financial statements, including a corporation's balance sheet, income statement, and cash flow statement, at least one member of the Committee is to have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, and at least one member of the Committee shall qualify as a "financial expert" as defined by the Securities and Exchange Commission pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. Until Balqon is listed on a national securities exchange or national securities association, the Board will make efforts to place directors on the Committee that meet the above described requirements.

Election. The members of the Committee are to be elected by the Board at the annual or organizational meeting of the Board and shall continue to be members until their successors are duly elected and qualified. Unless a Chairman of the Committee is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of the full Committee membership.

### **Meetings**

The Committee shall meet on at least a quarterly basis and shall hold regular meetings as may be necessary and special meetings as may be called by the Chairman of the Committee. As part of its job to foster open communication, the Committee should meet at least quarterly with management and the independent accountants in separate executive sessions to discuss any matters that the Committee or either of these groups believe should be discussed privately. The Committee should meet with the independent accountants and management quarterly to review Balqon's financial statements.

### **Relationship with Independent Accountants**

Balqon's independent accountants are to be ultimately accountable to the Committee, and the Committee shall have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent accountants (or nominate the outside auditor to be proposed for stockholder approval in any proxy statement).

### **Key Responsibilities and Duties**

The Committee's role is one of oversight. Balqon's management is responsible for preparing Balqon's financial statements and Balqon's independent registered public accounting firm is responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, as well as Balqon's independent registered public accounting firm, have more time, knowledge and more detailed information concerning Balqon than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to Balqon's financial statements or any professional certification as to work of Balqon's independent registered public accounting firm. Further, auditing literature, particularly Statement of Auditing Standards No. 100, defines

the term “review” to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term “review” as applied to the Committee in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

The following functions and responsibilities are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible to best react to changing conditions and circumstances, and that the Committee should take appropriate actions to set the overall corporate “tone” for qualifying financial reporting, sound business risk practices and ethical behavior.

To fulfill its responsibilities and duties the Committee shall:

1. Review and assess the adequacy of this Charter at least annually, and otherwise as conditions dictate.
2. Review Balqon’s annual financial statements and any reports or other financial information submitted to the Securities and Exchange Commission or the public, including any certification, report, opinion, or review rendered by the independent accountants.
3. Review with financial management and the independent accountants Balqon’s filings with the Securities and Exchange Commission on Form 10-K and Form 10-Q prior to their filing and prior to the release of earnings.
4. Review and discuss with management and the independent accountants any material financial or non-financial arrangements of Balqon that do not appear on the financial statements of Balqon.
5. Select the independent accountants, considering their independence and effectiveness, and approve the fees and other compensation to be paid to the independent accountants.
6. At least annually, obtain from the independent accountants, and review and discuss with the independent accountants, a formal written statement delineating all relationships the independent accountants and their related entities have with Balqon and its related entities, consistent with Independence Standards Board Standard No. 1 (or any successor thereto), and actively engage in a dialogue with the independent accountants with respect to any disclosed relationships or services that in the independent accountants’ professional judgment may reasonably be thought to bear on the objectivity and independence of the independent accountants.
7. At least annually, obtain written confirmation from the independent accountants that, in the independent accountants’ professional judgment, the independent

accountants are “independent” of Balqon within the meaning of the federal securities laws.

8. Take or recommend that the Board take any appropriate action to oversee the independence of the independent accountants.
9. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
10. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of Balqon’s financial statements.
11. Pre-approve all auditing services to be provided by the independent accountants to Balqon (including comfort letters in connection with securities underwritings).
12. Pre-approve all non-audit services to be provided by the independent accountants to Balqon unless: (i) the aggregate amount of all such non-audit services constitutes not more than 5% of the total amount of revenues paid by Balqon to its independent accountants during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by Balqon at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved prior to completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
13. The Committee shall have the authority to delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and non-audit services to be provided by the independent accounting firm to Balqon. The decisions of any such member to pre-approve such services shall be presented to the full Committee at its scheduled meetings.
14. Discuss with any registered public accounting firm that performs an audit for Balqon (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of Balqon, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm; and (iii) other material written communications between the registered public accounting firm and the management of Balqon, such as any management letter or schedule of unadjusted differences.
15. In consultation with the independent accountants, review the integrity of the organization’s financial reporting processes, both internal and external.
16. Consider the independent accountant’s judgments about the quality and appropriateness of Balqon’s accounting principles as applied in its financial reporting.

17. Consider and approve, if appropriate, major changes to Balqon's auditing and accounting principles and practices as suggested by the independent accountants or management.
18. Establish regular and separate reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
19. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
20. Review and resolve any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements.
21. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
22. Prior to the filing of any periodic report of Balqon under the Securities Exchange Act of 1934, receive confirmation from Balqon's principal executive and principal accounting officers that they have disclosed to Balqon's independent accountants and the Committee: (i) all significant deficiencies in the design or operation of internal controls that are reasonably likely to adversely affect Balqon's ability to record, process, summarize, and report financial information; (ii) any material weaknesses in internal controls; and (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in Balqon's internal control over financing reporting.
23. Establish procedures for the receipt, retention and treatment of complaints received by Balqon regarding accounting, internal accounting controls, or auditing matters.
24. Establish procedures for the confidential, anonymous submission by employees of Balqon of concerns regarding questionable accounting or auditing matters.
25. Review and approve all related-party transactions after reviewing each such transaction for potential conflicts of interest and other improprieties.
26. Provide for and review prompt disclosure to the public of any change in, or waiver of, Balqon's codes of conduct and ethics, and review the codes periodically and recommend changes to the codes as the Committee or the Board deems appropriate, and adopt procedures for monitoring and enforcing compliance with the codes.

27. Review, with Balqon's counsel, any legal matter that could have a significant impact on Balqon's financial statements.
28. Perform any other activities consistent with this Charter, Balqon's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

The Committee shall have the authority to retain and compensate such independent counsel, experts, and other advisors as it determines necessary to carry out its duties. In addition, the Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist it in the conduct of any investigation.