

VERITY, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Organization

The Audit Committee of the Board of Directors of Verity, Inc. (the “*Company*”) shall consist of at least three members of the Board of Directors (the “*Board*”). The members of the Audit Committee shall meet the independence and experience requirements of the rules and regulations of the Securities and Exchange Commission and The Nasdaq Stock Market (“*Nasdaq*”) applicable to audit committee members as in effect from time to time when and as required. At least one member of the Audit Committee shall be an “Audit Committee Financial Expert” as defined in the rules and regulations of the Securities and Exchange Commission.

Statement of Policy

The primary purpose of the Audit Committee shall be to act on behalf of the Company’s Board in fulfilling the Board’s oversight responsibilities with respect to the Company’s corporate accounting and financial reporting practices and the quality and integrity of the Company’s financial statements and reports, as well as the qualifications, independence and performance of the certified public accountants engaged as the Company’s independent outside auditors (the “*Auditors*”). The Audit Committee shall also provide oversight assistance in connection with legal and ethical compliance programs as established by management and the Board.

The policy of the Audit Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication between the Audit Committee, the Auditors and the Company’s financial management.

Meetings and Minutes

The Audit Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Audit Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting.

Authority

The Audit Committee shall have:

- Full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Audit Committee to discharge his or her responsibilities hereunder.
- Authority to retain and determine funding for, at the Company’s expense, special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties.

- Authority to require that any of the Company's personnel, counsel, Auditors or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Audit Committee or meet with any member of the Audit Committee or any of its special legal, accounting or other advisors and consultants.
- Sole authority to for the appointment, compensation, retention and oversight of the Auditors (including resolution of disagreements between management and the Auditors).
- Authority to incur ordinary administrative expenses as are necessary or appropriate to carry out the Audit Committee's duties, which expenses shall be paid for by the Company.

Responsibilities

The primary responsibility of the Audit Committee shall be to oversee the Company's accounting and financial reporting processes (including direct oversight of the Auditors), and the audits of the Company's financial statements, on behalf of the Board and to report the results of these activities to the Board. In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to ensure to the directors and stockholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality. To implement the Audit Committee's purpose and policy, the Audit Committee shall be charged with the following functions and processes, with the understanding, however, that the Audit Committee may supplement or (except as otherwise required by law or the applicable rules of Nasdaq) deviate from these activities as appropriate under the circumstances:

1. Select the Auditors to audit the financial statements of the Company and its divisions and subsidiaries, which firm is ultimately accountable to the Audit Committee.
2. Evaluate the performance of the Auditors, to assess their qualifications and to determine whether to retain or to terminate the existing Auditors or to appoint and engage new auditors for the ensuing year.
3. Determine the engagement of the Auditors, including the scope of plans for the audit, the adequacy of staffing and the compensation to be paid to the Auditors.
4. Review and pre-approve the retention of the Auditors to perform any proposed permissible non-audit services, including the compensation to be paid therefor, authority for which may be delegated to one or more Audit Committee members, provided that all approvals of non-audit services pursuant to this delegated authority be presented to the full Audit Committee at its next meeting.
5. Monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by applicable law.

6. Consider and, if deemed appropriate, adopt a policy regarding Audit Committee pre-approval of employment by the Company of individuals formerly employed by the Company's Auditors and engaged on the Company's account.

7. Receive and review written statements, at least annually, from the Auditors delineating all relationships between the Auditors and the Company consistent with Independence Standards Board Standard No. 1, and consider and discuss with the Auditors any disclosed relationships or services that could affect the Auditors' objectivity and independence, and otherwise take appropriate action to oversee the independence of the Auditors.

8. Meet with the Auditors and management to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.

9. Discuss with the Auditors and management results of the annual audit, including the Auditors' assessment of the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any audit adjustments noted or proposed by the Auditors (whether "passed" or implemented in the financial statements), the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Audit Committee by the Auditors under Statement on Auditing Standards No. 61.

10. Discuss with the Auditors and management the results of the Auditors' review of the Company's quarterly financial statements, prior to public disclosure of quarterly financial information and filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q, and any other matters required to be communicated to the Audit Committee by the Auditors under Statement on Auditing Standards No. 61. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of this discussion.

11. Review and discuss with the Auditors and management, as appropriate, earnings press releases, which discussions may be general discussions of the type of information (including the use of non-GAAP financial measures) to be disclosed or the type of presentation to be made. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of this discussion.

12. Review and discuss with the Auditors and management, as appropriate, the Company's disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its periodic reports to be filed with the Securities and Exchange Commission. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of this discussion.

13. Review with the Auditors and management significant issues that arise regarding accounting principles and financial statement presentation, including the adoption of new, or material changes to existing, critical accounting policies or to the application of those policies, the potential effect of alternative accounting policies available under generally accepted accounting principles ("**GAAP**"), the potential impact of regulatory and accounting initiatives and any other significant reporting issues and judgments.

14. Review with the Auditors and management the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures.

15. Review with the Auditors and the Company's financial and accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

16. Evaluate the cooperation received by the Auditors during the audit, including the Auditors' access to all requested records, data and information and any significant difficulties with the audit or any restrictions on the scope of the Auditors' activities or access to required records, data and information, and to elicit the comments of management regarding the responsiveness of the Auditors to the Company's needs.

17. Review with the Auditors any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter.

18. Meet with the Auditors and senior management in separate executive sessions to discuss any matters that the Audit Committee, the Auditors or senior management believe should be discussed privately with the Audit Committee.

19. Review with the Auditors and management, and ultimately to resolve, any conflicts or disagreements between the Auditors and management regarding financial reporting and accounting practices or policies.

20. Consider and review with the Auditors, management, outside counsel, as appropriate, and, in the judgment of the Audit Committee, such special counsel, separate accounting firm and other consultants and advisors as the Audit 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.

21. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

22. Review and, if determined appropriate, approve insider and affiliated-party transactions.

23. Report to the Board 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 Company's Auditors or such

other matters as the Audit Committee deems appropriate from time to time or whenever it shall be called upon to do so.

24. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel and separate accountants for this purpose if, in its judgment, such retention or investigation is appropriate.

25. Review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

26. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

27. Perform such other functions and to have such power as it may deem necessary or advisable in the efficient and lawful discharge of the foregoing.

The operation of the Audit Committee shall be subject to the By-laws as in effect from time to time and Section 141 of the Delaware General Corporation Law.

It shall be the responsibility of management to prepare the Company's financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. These functions shall not be the responsibility of the Audit Committee, nor shall it be the Audit Committee's responsibility to ensure that the financial statements or periodic reports are complete and accurate, conform to GAAP or otherwise comply with applicable laws.