

# CHARTER OF THE AUDIT COMMITTEE

## Organization

There shall be a Committee of the Board of Directors to be known as the Audit Committee. The Audit Committee shall be comprised of three or more Directors, as appointed by the Board of Directors. The Board shall designate the Audit Committee's Chairperson, and all members shall serve at the discretion of the Board.

Each member of the Audit Committee shall satisfy the independence, financial literacy and experience requirements of Section 10A of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, rules applicable to NASDAQ-listed issuers, and any other regulatory requirements. All members of the Committee shall have a working knowledge of basic finance and accounting, and at least one member of the Committee shall be a "financial expert" as defined by the Sarbanes-Oxley Act of 2002.

The Committee may delegate its authority to the Chairperson or other member, when appropriate.

## Statement of Policy

The Audit Committee shall provide assistance to the Directors in fulfilling their oversight responsibility to the shareholders relating to the Company's financial statements, the financial reporting practices of the Company, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board.

In so doing, it is the responsibility of the Audit Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors, and the management of the Company. 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 the power to retain outside counsel, accounting or other advisors for this purpose. In addition, the Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor and to any advisors that the Audit Committee chooses to engage.

## Responsibilities

The primary responsibility of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- The integrity of the Company's financial statements and other financial information provided by the Company to its stockholders, the public and others.
- The Company's systems of disclosure controls and internal controls regarding finance, accounting, legal compliance and ethical behavior.
- The Company's auditing, accounting and financial reporting processes generally.
- The appointment, qualifications and performance of the Company's internal audit function and independent auditors.

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- Pre-approval of services (both audit and non-audit) to be provided by the independent auditors.
- Review and approval of all related party transactions.

While the Audit Committee has the responsibilities and powers set forth in this Charter, its role is oversight. Accordingly, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements or disclosures are complete or accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Company management and the independent auditors.

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 circumstances. The following shall be the principal recurring responsibilities and processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may amend, or vary from, them as appropriate, while always remaining compliant with applicable law.

With respect to the independent auditors, the Committee shall:

- Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing its audit report or related work.
- Review and pre-approve all audit services and permissible non-audit services (including the fees and terms thereof) to be performed by the Company's independent auditor, with exceptions provided for de minimis amounts under certain circumstances as permitted by law; provided, however, that: (a) the Committee may delegate to (1) or more Members the authority to grant such pre-approvals if the pre-approval decisions of any such delegate Member(s) are presented to the Committee at its next-scheduled meeting; and (b) all approvals of non-audit services to be performed by the independent auditor must be disclosed in the Company's applicable periodic reports;
- Review the experience, qualifications and overall performance of the Company's independent audit team annually, and ensure that all partner rotation requirements, as promulgated by applicable rules and regulations, have been met.
- On an annual basis, review, evaluate and determine the independent auditors' continued independence.
- On an annual basis, obtain and review a report from the independent auditors describing:
  - The independent auditors' internal quality control procedures and review;
  - Any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, of the independent auditors;
  - Any steps taken to deal with any such issues; and
  - All relationships between the independent auditors and the Company.

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- Review all reports required to be submitted by the independent auditors to the Committee under Section 10A of the Securities Exchange Act of 1934,
- Review and approve, based upon the recommendation of the independent auditors and internal audit, the scope and plan of the work to be done by the independent auditors for each fiscal year.

With respect to periodic and annual reports, the Committee shall:

- Review the draft Press Release regarding the quarterly and/or annual financial results (including supporting internal Company financial information and associated schedules), with the independent auditors and management of the Company, prior to its release to the public. Review the financial statements (audited or otherwise) to be included in other SEC filings (e.g. Form S3), as required. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under applicable auditing standards.
- Review the annual audited financial statements to be included in the Company's Annual Reports on Form 10-K with the independent auditors and management of the Company, prior to its submission to Directors for review and signature. The Committee shall also discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under applicable auditing standards.
- Upon completion of their review, recommend to the Board of Directors that the Company's annual audited financial statements be included in the Company's annual report on Form 10-K for filing with the SEC.
- Prepare the Audit Committee report required by the SEC to be included in the Company's annual proxy statement and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

With respect to the internal audit function, the Company's disclosure controls and internal controls, the Committee shall:

- Review and concur with management's appointment, termination or replacement of the Director of Internal Audit.
- Discuss with internal audit, the independent auditors and management personnel, the adequacy and effectiveness of the disclosure controls and internal controls of the Company. Particular emphasis should be given to the adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- Review the internal audit function of the Company including its independence from management, reporting obligations to the Audit Committee, and the coordination of its plans with the independent auditors. Approve the proposed internal audit plans for the coming year.

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- Inquire of management, internal audit and the independent auditors about significant risks or exposures, assess the steps management has taken to minimize such risks to the Company and discuss policies with respect to risk assessment and risk management.
- Receive from time-to-time a summary of findings from completed internal audits, and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.
- Meet separately with internal audit, the independent auditors, and management personnel, as appropriate, on a periodic basis.

In addition, the Committee shall:

- Establish procedures for and ensure the Company adopts policies, in accordance with the Whistleblower provisions of the Sarbanes-Oxley Act of 2002, that support:
  - The receipt, retention and appropriate treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review and approve any related party transactions.
- Submit the minutes of all meetings of the Audit Committee to, and report on the matters discussed at each Committee meeting with, the Board of Directors, as appropriate.
- Review and reassess the adequacy of this Charter as appropriate and recommend to the Board any changes the Committee deems appropriate.
- Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.
- Perform any other activities consistent with this Charter, the Company's by-laws and governing law as the Committee or the Board deems necessary or appropriate.