



## **Audit Committee Charter for LoJack Corporation (the "Company")**

### ***Purpose and Powers***

The primary purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its responsibility to oversee management's conduct and the integrity of the Company's accounting and financial reporting process, the system of internal control over financial reporting, the audits of the financial statements of the Company, and the Company's processes for monitoring compliance with laws and regulations and its Code of Business Conduct and Ethics.

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. It is also empowered to:

- Appoint, compensate, retain and oversee the work of any registered public accounting firm engaged by the Company for the purpose of issuing an audit report or performing other audit, review or attest services for the Company.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services as outlined in the Committee's Policy Regarding the Approval of Audit and Non-audit Services Provided by the Independent Auditor.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation as it determines is necessary to carryout its duties.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
- Meet with Company officers, external auditors, or outside counsel, as necessary.

The external auditor is ultimately accountable to the Board and the Committee, as representatives of the stockholders and shall report directly to the Committee. The external auditor will timely report to the Committee:

- all critical accounting policies, practices and disclosures to be used by the Company;
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and
- other material written communications between the external auditor and management of the Company, such as any management letter or schedule of unadjusted differences.

The Committee shall be responsible for overseeing the independence of the external auditors. No audit partner of the external auditor may be the lead (or coordinating) audit partner having primary responsibility for the audit (the concurring audit partner), or the audit partner responsible for reviewing the audit, for more than five consecutive years. Such audit partner may not perform for the Company the services of a lead partner or concurring partner, or a combination of both within the five consecutive year period following the maximum period.

Additionally, no other audit partner who provides more than 10 hours of audit, review or attest services in connection with any audit or review related to the annual or interim consolidated financial statements of the Company or who services as the lead partner in connection with any audit or review related to the annual or interim financial statements of a subsidiary of the Company whose assets or revenues constitute 20% or more of the assets or revenues of the Company's respective consolidated assets or revenues may perform such services for more than 7 consecutive years. Such audit partner may not perform such services or the services of a lead or concurring partner within the 2 consecutive year period following the maximum period.

## ***Membership***

The Committee shall be comprised of not less than three members of the Board, selected annually by the Board, who meet the applicable independence, experience and other requirements promulgated by the NASDAQ Stock Market.

Without limiting the generality of the foregoing, all of the members will be directors:

1. Who have no relationship to the Company that may interfere with the exercise of their independence from management and the Company; and
2. Who are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement at the time of appointment to the Committee.

In addition, at least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication.

## ***Duties***

The Committee's job is one of oversight and it is recognized that the Company's management is responsible for preparing the Company's financial statements and that the external auditors are responsible for auditing those financial statements. It is not the duty of the Committee to assure compliance with applicable laws and regulations. Additionally, the Committee recognizes that financial management, as well as the external auditors, have more time, knowledge and detailed information about the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditor's work. The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

- The Committee shall review major changes to the Company's auditing and accounting principles and practices as suggested by the external auditors or management.
- The Committee shall periodically discuss with management and the external auditors major financial risk exposures and the quality and adequacy of the Company's internal controls over financial reporting, including a review of disclosures required to be reported to the Committee by Section 302 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC thereunder.
- The Committee shall periodically discuss with management and the external auditors any report required of the external auditors by Section 204 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC thereunder, prior to any audit report being filed with the SEC pursuant to the securities laws.
- The Committee shall meet with the external auditors prior to the audit to review their proposed scope and approach.
- The Committee shall obtain from the external auditors assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.
- The Committee shall review with the external auditors any problems or difficulties the auditors may have encountered, any management letter provided by the auditors and the Company's response to that letter. Such review should include any difficulties encountered in the course of the audit work, including any restrictions on the scope of the activities or access to required information.

- The Committee shall review with management and the external auditors the audited financial statements to be included in the Company’s Annual Report on Form 10-K (or the Annual Report to Stockholders if distributed prior to the filing of Form 10-K) and shall review and consider with the external auditors the matters required to be discussed by Statement of Auditing Standards (“SAS”) No. 61, as amended.
- The Committee shall request from the external auditors annually, a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard Number 1, discuss with the external auditors any such disclosed relationships and their impact on the external auditor’s independence, and take or recommend that the Board take appropriate action in response to the external auditor’s report to satisfy itself of the auditor’s independence to oversee the independence of the external auditor.
- The Committee shall prepare the Audit Committee Report to be included in the Company’s annual proxy statement described in Item 306 of Regulation S-K.
- As a whole, or through the Committee chair, the Committee shall review with the external auditors, prior to filing with the Securities and Exchange Commission, the Company’s interim financial results to be included in the Company’s quarterly report to be filed with the Securities and Exchange Commission and the matters required to be discussed by SAS No. 61, as amended; this review will occur prior to the Company’s filing of the Form 10-Q.
- The Committee shall establish procedures for the receipt, retention and 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.
- The Committee shall have the ultimate authority and responsibility to select (or nominate for stockholder approval), evaluate and, where appropriate, replace the external auditors and to approve the fees to be paid to the external auditors.
- The Committee shall review and reassess the adequacy of this charter on an annual basis and recommend any proposed changes to the Board for approval.
- The Committee shall confirm annually that all responsibilities outlined in this charter have been carried out.
- The Committee shall determine and the Company shall provide appropriate funding for payment of (1) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (2) compensation to any advisers employed by the Committee; and (3) ordinary administration expenses of the Committee that are necessary or appropriate in carrying out its duties.