

## **AUDIT COMMITTEE CHARTER**

### Purpose

Through this Charter, the adequacy of which shall be reviewed by the Board of Directors (the “Board”) annually, the Board delegates certain duties and responsibilities, as set forth below, to the Audit Committee (the “Committee”) to assist the Board in fulfilling its responsibilities. To discharge its oversight responsibilities effectively, the Committee will maintain open lines of communication with the Company’s chief financial officer, chief internal auditor and outside auditors.

The Committee is appointed by the Board of Directors, as further provided by Section 8 (b) of the Company Bylaws, to assist the Board with the oversight of (a) the integrity of the Company’s financial statements and its financial reporting processes and systems of internal controls, (b) the outside auditor’s qualifications, independence and performance, (c) the Company’s compliance with legal and regulatory requirements and the hiring of outside legal counsel for the Company, and (d) the performance and qualifications of the Company’s internal audit function and auditors.

Although the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the Company’s outside auditor.

### Organization/Committee Members

The Committee shall consist of at least three directors appointed by the Board of Directors all of whom shall in the judgment of the Board of Directors meet the independence requirements of the NASDAQ Stock Market and the rules and regulations of the Securities and Exchange Commission (“SEC”). At least one member of the Audit Committee shall be a financial expert as defined by the rules and regulations of the SEC. All members of the Committee will be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement. No member of the Committee shall have participated in the preparation of the financial statements of the Company in the past three years. Committee members shall not serve simultaneously on the audit committees of more than three public companies.

The Board, upon recommendation of the Nominating and Governance Committee, shall appoint the members of the Committee. The Committee shall have a chairperson appointed by the Committee. The Committee shall appoint a secretary who shall keep a record of the Committee’s proceedings.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

### Meetings

The Committee shall meet at least four times each year and at such other times as it deems necessary to fulfill its responsibilities. The Committee shall meet regularly in executive session without management present and shall meet periodically with management, the internal auditors and the outside auditors in separate executive sessions. The Committee may request any officer or employee of the Company, other directors, legal counsel, the outside auditor or other persons to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee and/or assist the Committee.

### Authority

The Committee shall:

1. Have direct authority and responsibility for the appointment (subject, if applicable, to shareholder ratification), compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the Company's outside auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Each such registered public accounting firm shall report directly to the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of:
  - a. 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;
  - b. compensation to any independent legal, accounting or other advisors as deemed appropriate by the Committee and employed by the Committee; and
  - c. ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
2. To the extent required by any legal or regulatory requirement, pre-approve all audit services and non-audit services to be performed by the outside auditor.
3. Obtain advice and assistance, without Board approval, from legal, accounting or other advisors as deemed appropriate by the Committee.

4. Have the authority to conduct or authorize investigations into any matters within the Committee's scope of authority and responsibilities.
5. Seek any information it requires from employees or other persons.

### Responsibilities

The Committee shall:

1. Oversee the Company's accounting and financial reporting processes and the audits of the Company's financial statements.
2. Receive and review, at least annually, a report by the outside auditor describing (a) the outside auditor's internal quality control procedures, (b) any material issues raised by the most recent internal quality control review or peer review of the outside auditor or by an investigation by governmental or professional authorities within the last five years respecting one or more independent audits carried out by the outside auditor and, (c) any steps taken to address any such issues. The Committee will evaluate the qualifications, performance and independence of the outside auditor, considering whether the outside auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the outside auditor's independence, and taking into account the opinions of management and internal auditors.
3. Review with the outside auditor prior to the audit, the scope, planning, staffing, estimated fees therefore and other such matters relating to the audit as the Committee deems appropriate.
4. Review and discuss with management and with the outside auditor the annual audited financial statements, including disclosures made in management's discussion and analysis ("MD&A"), and recommend to the Board whether the audited financial statements shall be included in the Company's Form 10-K.
5. Review and discuss with management and with the outside auditor the Company's quarterly financial statements, including the MD&A, prior to the filing of its Form 10-Qs.
6. Discuss with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61, relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
7. Receive and review, at least annually, the formal written disclosures and letter from the outside auditor required by Independence Standards No. 1 and discuss with the outside auditor the outside auditor's independence. The Committee shall actively engage in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and

- independence of the outside auditor and shall take, or recommend that the full board take, appropriate action to oversee the independence of the outside auditor.
8. Review and discuss quarterly reports from the outside auditor on:
    - a. All critical accounting policies and practices to be used.
    - b. All alternative treatments of financial information within generally accepting accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditor.
    - c. Recent professional and regulatory pronouncements and their impact on the Company's financial statements.
    - d. Other material written communications between the outside auditor and management, such as any management letter or schedule of unadjusted differences.
  9. The full Committee or the Chairman shall review and discuss earnings press releases and financial and earnings guidance provided to analysts and rating agencies.
  10. Establish and maintain procedures for the (a) receipt retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission of employee concerns regarding questionable auditing or accounting matters.
  11. Review and discuss with management the Company's policies on risk assessment and risk management and for compliance with legal, ethical and regulatory requirements (including the adequacy of controls and contingency plans for dealing with areas of significant risk exposure).
  12. Have oversight of the Company's internal audit function. The internal audit function shall report directly to the Committee. For day-to-day administrative matters, the internal audit function shall coordinate with, but not report to, the management of the Company. The Committee shall have final approval over the appointment, replacement, responsibilities, budget, staffing and compensation of the internal audit function. The Committee's oversight shall include periodic meetings with the internal auditor to discuss any issues the internal auditor believes warrant Committee attention as well as the review and discussion with management and the internal auditor of the following items:
    - a. Quality and adequacy of the Company's internal controls, including internal control over financial reporting, and the Company's control environment;

- b. Plans, activities, staffing and effectiveness of the internal audit function;
  - c. The audit risk assessment process, scope of the internal audit plan and coordination with the outside auditor;
  - d. Reports from the internal auditor on the status of findings, recommendations and management's responses; and
  - e. The audit of expense reports and other expenditures approved by management.
13. Review and discuss with the Company's General Counsel legal disclosure, oversight of and conformity with the Company's Code of Conduct, and legal matters that may have a material impact on the financial statements or the Company's compliance policies.
  14. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein.
  15. On an ongoing basis, review and approve or ratify all related-person transactions in accordance with any policy regarding related person transactions adopted by the Board and, in any case, any related person transaction as defined in Item 404 of Regulation S-K of the SEC.
  16. Consider other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audits of the Company, as the Committee may, in its discretion, determine to be advisable.
  17. Provide regular reports to the Board.
  18. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

### Report

The Committee shall annually prepare the report required by the rules and regulations of the SEC, as they may be amended from time to time, for inclusion in the Company's proxy statement.