



## **AUDIT COMMITTEE CHARTER REVISION B – 2009-06-22**

### **PURPOSE**

The Audit Committee (the “Committee”) is appointed by the Board of Directors to provide independent and objective oversight of the accounting functions, internal controls and financial reporting practices of the Company and the audits of the Company’s financial statements.

### **MEMBERSHIP**

The Committee shall be comprised of at least three directors. Each member must be an “independent director” as defined by the rules of The NASDAQ Stock Market and meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act). No member shall have participated in the preparation of the financial statements of the Company in the past three years. All members must be able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. At least one member shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission or otherwise have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities or otherwise satisfy standards for financial expertise required for audit committees of companies listed on The NASDAQ Stock Market.

Notwithstanding the prior paragraph, one director who is not independent as defined by the rules of The NASDAQ Stock Market, but who meets the criteria set forth in Section 10A(m)(3) of the Exchange Act and the rules thereunder, and who is not a current officer or employee or a family member of such person, may be appointed to the Committee if the Board, under exceptional and limited circumstances, determines that such individual’s membership on the Committee is required by the best interests of the Company and its shareholders, and the Board discloses, in the next annual proxy statement subsequent to such determination (or, if the Company does not file a proxy statement, its Form 10-K), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve longer than two years and may not chair the Committee.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually, and recommend any proposed changes to the Board for approval. The Committee may request any director, officer or employee of the

Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee. The members of the Committee shall be appointed and may be replaced by the Board.

## RESPONSIBILITIES

The Committee's function is to oversee the Company's financial reporting process on behalf of the Board and report these activities to the Board, and it recognizes that the Company's management is responsible for preparing the Company's financial statements and for establishing and maintaining systems of internal control over financial reporting and that the independent auditor is responsible for auditing those financial statements and management's assessment of the effectiveness of internal control over financial reporting. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurances as to the Company's financial statements. The responsibilities and processes of the Committee shall be consistent with the Exchange Act and the rules regulations adopted by the SEC. The responsibilities of the Committee include the following:

### **Independent Auditor Selection, Evaluation and Oversight:**

- The Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and the independent auditor shall report directly to the Committee.
- Specifically pre-approve all audit, internal control-related and permitted non-audit services (including the fees and terms thereof) to be provided by the independent auditor, subject to the *de minimis* exception for non-audit services that are approved by the Committee before the completion of the audit. The independent auditor shall not be engaged to perform non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to one or more members of the Audit Committee when appropriate, provided any decisions of such member or members are presented to the full Committee at its next scheduled meeting. The Committee shall consider whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- On an annual basis, obtain a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with the applicable requirements of the Public Company Accounting Oversight Board. The Committee shall actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the independent auditor. In addition, the Committee shall review

with the independent auditor any audit problems or difficulties and management responsiveness. .

- Consider the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Review the independent auditor's audit plan and discuss scope, staffing, locations, compensation, resources, reliance upon management and internal audit and the general audit approach. Discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the Company's internal controls, including systems to monitor and manage business risk, and legal and ethical compliance programs and financial reporting. The Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- Review significant findings prepared by the independent auditor together with management's responses. Review any significant problems or difficulties that the independent auditor may have encountered in the connection with the audit.
- Ensure the rotation of the lead (or coordinating) audit partner and other audit partners as required by law, and establish policies for the Company's hiring of employees or former employees of the independent auditor.

#### **Review of Financial Reports and Disclosures:**

- In consultation with management, the independent auditor and the internal audit function, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures, major issues regarding accounting principles and financial statement presentations (including significant changes in the Company's selection or application of accounting principles) and the effects of regulatory and accounting initiatives on the financial statements of the Company. Evaluate the steps management has taken to monitor, control and report such issues.
- Review with management and the independent auditor the Company's interim financial statements and earnings releases prior to filing the Company's quarterly report on Form 10-Q. 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 generally accepted auditing standards.
- Review with management and the independent auditor the financial statements to be included in the Company's annual report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K) and quarterly reports on Form 10-Q, including MD&A disclosures, their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
- The Committee shall discuss the results of the annual audit, including the management letters, reports and attestations prepared by management and the

independent auditors to comply with the Exchange Act and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards and SEC rules, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

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

**Internal Audit Oversight:**

- Review the budget, plan, activities, organizational structure and performance of the internal audit function as needed.
- Review significant issues identified by the internal audit function together with management's response and follow-up on these reports.

**Additional Audit Committee Actions:**

- At least annually, review with the Company's legal counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.
- Review the Company's Code of Ethical Conduct and the Company's compliance with this code.
- 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 concerns regarding questionable accounting or auditing matters.
- Review and evaluate risk management policies in light of business strategy, capital strength and overall risk tolerance. Periodically evaluate the Company's investments including the procedures for investment and trading and safeguards to ensure compliance with procedures.
- Periodically meet separately with the Chief Financial Officer, the senior internal auditing executive and the independent auditors. The Committee may request any member of management to attend a meeting of the Committee.
- 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 power to retain such outside legal, accounting and other advisers as it considers necessary, and funding sufficient for this purpose. The Committee shall maintain free and open communication with the independent auditor, internal auditors, and the Company's management.
- The Committee shall review and approve all related party transactions consistent with the rules applied to companies listed on The NASDAQ Stock Market.
- The Committee shall conduct an annual evaluation of its performance.

- 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.

Retain and compensate such outside legal, accounting, and other advisers, as it considers necessary in discharging its oversight role.