

## **AUDIT COMMITTEE CHARTER**

### **I. PURPOSE**

- A. The Audit Committee (the “Committee”) is established by the Board of Directors (the “Board”) for the primary purpose of assisting the Board in overseeing:
- (i) the quality and integrity of the Company’s financial statements;
  - (ii) the Company’s compliance with legal and regulatory requirements;
  - (iii) the independent auditor’s qualifications and independence;
  - (iv) the performance of the Company’s internal audit function and independent auditor; and
  - (v) the Company’s system of disclosure controls and procedures and system of internal controls over financial reporting, and other accounting and legal compliance systems that management and the Board have established.
- B. The Committee shall prepare the Audit Committee Report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.
- C. The Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee shall also provide an open avenue of communication among the independent auditors, internal auditors, financial and senior management, and the Board.
- D. The Committee has the authority to obtain advice and assistance from outside legal, accounting, compensation or other advisors or consultants as it deems appropriate to perform its duties and responsibilities. The Company shall provide appropriate funding, as determined solely by the Committee, for compensation to any advisors or consultants the Committee chooses to engage. The Committee shall have the sole authority over retention terms and right to terminate such arrangements.
- E. The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

### **II. COMPOSITION AND MEETINGS**

- A. The Committee shall be comprised of at least three members, as required by Section 7(a) 303A of the New York State Exchange Listed Company

Manual (the “NYSE Rules”). The members of the Committee shall meet the independence and experience requirements of Section 7(a) of the NYSE Rules, Section 10A(m)(3) and Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the SEC. All members shall be financially literate and have sufficient financial experience and ability to enable them to discharge their responsibilities.

- B. To the extent possible, at least one member of the Committee shall qualify as an "audit committee financial expert" in compliance with the criteria established by the SEC in Section 401(h) of Regulation S-K and other relevant regulations, but in all cases at least one member of the Committee shall have accounting or related financial management expertise (as the Board interprets such qualification in its business judgment) as required by Section 7(a) of the NYSE Rules.
- C. Committee members shall not simultaneously serve on the audit committees of more than two public companies (including the Company).
- D. The members of the Committee shall be elected by the Board annually. In selecting the members of the Committee, the Board will determine that each member has the appropriate experience, independence and interest to carry out his/her duties and responsibilities, including those requirements set forth in Section 7(b) of the NYSE Rules. Committee members may be removed and replaced by, and in the sole discretion of, the Board by majority vote.
- E. If not designated by the Board, the members of the Committee shall designate the Chairperson by majority vote of the members of the Committee. Simultaneous service on more than one of the Company’s committees shall not impair the ability of any director to effectively serve on the Committee.
- F. The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Unless determined to the contrary by a majority of the members of the Committee, each regularly scheduled meeting should conclude with an executive session of the Committee absent members of management and advisors.
- G. The Committee shall meet periodically with management, independent auditors and internal auditors in separate executive sessions to discuss any matters that the Committee or these persons or groups believe should be discussed privately. In addition, the Committee should meet quarterly with the independent auditors and management to discuss the annual audited financial statements and quarterly financial statements, including the Company’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

- H. The Committee shall report to the Board following regular meetings, and at such other times as circumstances warrant.
- I. The Corporate Secretary, or a designee thereof, shall record and keep minutes of all Committee meetings.
- J. The Committee may form and delegate authority to subcommittees when and as the Committee deems necessary and appropriate, except as may be otherwise provided by this Charter or specifically prohibited by action of the full Board.

### III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

#### *Reports/Accounting Information Review*

- A. Review this Charter and the Internal Audit Charter at least annually and recommend to the Board any necessary amendments as conditions dictate.
- B. Review and discuss with management and the independent auditor the Company's annual audited financial statements, quarterly financial statements, and internal controls reports (or summaries thereof). Review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302 and 906) and relevant reports rendered by the independent auditors (or summaries thereof).
- C. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K. Review with management and the independent auditors the 10-Q prior to its filing (or prior to the release of earnings).
- D. Review and discuss the type and presentation of information to be included in earnings press releases with management, including review of any "pro-forma" or "adjusted" non-GAAP information.
- E. Discuss in advance with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).

#### *Independent Auditors*

- F. Appoint (subject to stockholder ratification, if applicable), agree to compensate, and oversee the work performed by the independent auditors

for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditors and remove the independent auditors if circumstances warrant. The independent auditors shall report directly to the Committee and the Committee shall oversee the resolution of disagreements or other issues between management and the independent auditors in the event that they arise. The Company shall provide appropriate funding, as determined by the Committee, for payment of work performed by the independent auditors.

- G. Evaluate the independent auditor's qualifications, performance and independence (including an evaluation of senior members of the independent audit team) annually. The Committee may take into account the opinions of management and the Company's internal auditors and report its findings to the Board. The Committee will also consider whether the auditor's performance of permissible nonaudit services is compatible with the auditor's independence. The Committee shall present its conclusions with respect to the independent auditor to the full Board.
- H. Ensure the rotation of the audit partners as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
- I. Review with the independent auditor any problems or difficulties regarding the audit process or accounting practices or principles, and management's views or response; review the independent auditor's attestation and report on management's internal control report related to Section 404 of the Sarbanes-Oxley Act of 2002; and hold timely discussions with the independent auditors regarding the following:
  - (i) all critical accounting policies and practices;
  - (ii) all alternative treatments of financial information within accounting principles generally accepted in the United States of America ("GAAP") that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the independent auditor;
  - (iii) other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - (iv) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.

- J. At least annually, obtain and review a report by the independent auditor describing:
- (i) the firm's internal quality control procedures;
  - (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, in respect of one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  - (iii) (to assess the auditor's independence) all relationships between the independent auditor and the Company.
- K. Review and pre-approve both audit and non-audit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the Committee with any such pre-approval reported to the Committee at its next regularly scheduled meeting. Approval of non-audit services shall be disclosed to investors in periodic reports as required by the Exchange Act.
- L. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- M. Set clear hiring policies for the Company, compliant with governing laws or regulations, for employees or former employees of the independent auditor.

#### *Oversight of the Company's Internal Audit Function*

- N. The Committee shall have the authority to appoint, compensate and terminate the employment of the internal auditors, including the senior internal auditing executive and any independent firm or company retained by the Company to assist it in connection with the internal audit function.
- O. Review the significant reports to management prepared by the internal auditing department and management's responses.
- P. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

#### *Financial Reporting Processes and Accounting Policies*

- Q. In consultation with the independent auditors and Company management, review the integrity of the Company's financial reporting processes (both

internal and external), and the internal control structure (including internal controls over financial reporting and disclosure controls and procedures).

- R. Review with the independent auditors and management major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls over financial reporting and disclosure controls and procedures and any special audit steps adopted in light of material control weaknesses or deficiencies.
- S. Review analyses prepared by management (and the independent auditor as noted above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- T. Review with the independent auditors and management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- U. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters.
- V. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

#### *Legal Compliance and Risk Management*

- W. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
- X. Discuss with the internal audit team (including both employees and any consultants), the independent auditors and management
  - (i) the planning for and completion of any risk assessment of the Company and its various operations;
  - (ii) internal audit procedures and policies designed to detect or avoid fraud;
  - (iii) the discovery of any actual fraud; and
  - (iv) the design and efficacy of the Company's internal controls over financial reporting and disclosure controls and procedures.

- Y. Discuss with management, the independent auditors and the internal auditors, as applicable, guidelines and policies with respect to risk assessment and risk management. Such discussions should include the Company's major financial and accounting risk exposures and the steps management has undertaken to control them.
- Z. Review with the full Board, any issues that arise with the Company's compliance (or failure of compliance) with legal or regulatory requirements.

*Other Responsibilities*

- AA. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting disclosure policies or practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as determined by the Committee.)
- BB. Prepare the report that the SEC requires be included in the Company's annual proxy statement.
- CC. Annually, perform a self-assessment relative to the Committee's purpose, duties and responsibilities outlined herein.
- DD. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

**Limitation of Audit Committee's Role**

While 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 and disclosures are complete and accurate and are in accordance with generally accepted accounting principals and applicable rules and regulations. These are the responsibilities of management and the independent auditor.