

**LANCE, INC.**

**Audit Committee Charter**

**January 29, 2004**

**I. Audit Committee Purpose**

The primary purpose of the Audit Committee is to assist the Board of Directors (the Board) of Lance, Inc. (the Corporation) in fulfilling its oversight responsibilities by overseeing and reviewing the financial reports and other financial information provided by the Corporation to its stockholders, any governmental body or the general public; the audits of the financial statements of the Corporation and its subsidiaries; the Corporation's systems of internal controls regarding finance and accounting that management and the Board have established and the internal and external audit processes.

The independent auditor reports directly to the Audit Committee, which is solely responsible for the appointment, compensation and oversight of the independent auditor. The Audit Committee:

- serves as an independent and objective party to monitor the integrity of the Corporation's financial reporting processes and systems of internal controls;
- reviews and evaluates the independence and performance of the Corporation's independent auditor and internal auditor; and
- provides an open avenue of communication among the independent auditor, financial and senior management, the internal auditor and the Board.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Corporation's expense, independent legal counsel, accountants, and other advisors or experts it deems necessary in the performance of its duties.

**II. Audit Committee Composition and Meetings**

Audit Committee members shall meet the requirements established by the NASDAQ Stock Market, Inc., the Securities and Exchange Commission and by law.

The Audit Committee shall be composed of three or more directors as determined by the Board, each of whom shall be an "independent director" as set forth in the Corporation's Board of Directors Governance Principles Definition of Independent Director attached hereto, except that, to the extent required by NASDAQ listing standards or other applicable laws, rules or regulations, members of the Audit Committee shall be subject to the following heightened requirements: a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other Board committee:

- (i) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation; or
- (ii) be an affiliated person of the Corporation or any subsidiary thereof.

All members of the Audit Committee shall (1) not have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years, (2) have a working familiarity with basic finance and accounting practices, and (3) be able to read and understand fundamental financial statements. At least one member of the Audit Committee shall be an "audit committee financial expert." An "audit committee financial expert" shall mean a person who has the following attributes:

- (1) an understanding of generally accepted accounting principles and financial statements;
- (2) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (3) experience preparing auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (4) an understanding of internal controls and procedures for financial reporting; and
- (5) an understanding of audit committee functions.

A person shall have acquired such attributes through:

- (1) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (2) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (3) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements;  
or
- (4) other relevant experience.

The members of the Audit Committee and its Chairman and Chairman designee shall be appointed by the Board at the Annual Meeting of the Board and shall serve until their successors shall be duly elected and qualified. Members of the Audit Committee and its Chairman may be removed by the Board at any time.

The Audit Committee shall meet at least four times annually. In order to foster open communication, the Audit Committee should meet at least annually with management, the internal auditor and the independent auditor in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee shall meet with the independent auditor and management quarterly to review the Corporation's financial statements and significant findings based upon the auditor's limited review procedures.

### III. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are outlined below:

#### Review Procedures

- Review and assess the adequacy of this Charter at least annually and recommend amendments as conditions dictate.
- Review and discuss with management and the independent auditor the Corporation's annual audited financial statements prior to filing, including any certification, report, opinion or review rendered by the independent auditor.
- Review with financial management and the independent auditor the quarterly financial results prior to filing.
- Review the independent auditor's letter to management regarding comments and recommendations on internal controls and management's response.
- Review material written communications between the independent auditor and management.
- Review the regular internal reports to management prepared by the internal auditor and management's response.

#### Independent Auditor

- Provide direct oversight of the independent auditor which includes having sole authority and responsibility for appointment, termination and compensation of the independent auditor.
- Approve the scope, plan, changes in plan and activities of the independent auditors.
- Review the performance of the independent auditor and recommend any proposed discharge of the independent auditor when circumstances warrant.
- Resolve any disagreements between management and the independent auditor regarding financial reporting.
- Periodically consult with the independent auditor out of the presence of management about internal controls and the fullness and accuracy of the Corporation's financial statements.
- Approve in advance all auditing and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by the independent auditor, subject to *de minimis* or other exceptions afforded by applicable law, and establish specific pre-approval policies and procedures for the approval of such services.
- Ensure the independent auditor's compliance with independence standards and that the independent auditor does not provide any of the following non-audit services: (1) bookkeeping or other services related to the accounting records or other financial statements of the Company; (2)

financial systems design and implementation; (3) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (4) actuarial services; (5) internal audit outsourcing services; (6) management functions or human resources; (7) legal services and expert services unrelated to the audit; (8) broker-dealer, investment advisor or investment banking services; (9) any other services that the Public Company Accounting Oversight Board determines is impermissible. The independent auditor may engage in any non-audit service, including but not limited to tax services that are not listed above, only if the activity is approved in advance by the Audit Committee or entered into pursuant to pre-approval policies and procedures established in advance by the Audit Committee.

### **Financial Reporting Processes**

- In consultation with the independent auditor and the internal auditor, review the integrity of the organization's financial reporting processes, both internal and external.
- Consider the independent auditor's judgment about the quality and appropriateness of the Corporation's accounting principles, including alternative accounting treatments, as applied in its financial reporting. Review all critical accounting policies and practices used by the Corporation and the ramifications of such use.
- Review management's handling of any proposed adjustments identified by the independent auditor.
- Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditor, management or the internal auditor.
- Review and approve the audited annual financial statements and related footnotes and recommend to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for filing with the Securities and Exchange Commission.
- Review the statement to accompany the audit report prepared by the Chief Executive Officer and Chief Financial Officer certifying the appropriateness of the financial statements and disclosures contained in the periodic reports, and that those financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the Company.

### **Internal Controls**

- Determine that management has implemented policies and procedures ensuring the Corporation's risks are identified and that controls are adequate, in place and functioning properly. This includes a review of management's fraud risk assessment program and controls to mitigate fraud.
- Inquire of management, the internal auditor and the independent auditor about significant financial matters that have been identified by the internal auditor or independent auditor and assess the steps management has taken to minimize risks to the Corporation.
- Consider and review with management, the independent auditor and internal auditor:
  - (a) The adequacy of the Corporation's internal controls and disclosure controls and procedures, including computerized information system controls and security.

- (b) Whether management is setting the appropriate tone by communicating the importance of internal controls and ensuring all individuals possess and understand their roles and responsibilities.
- (c) The requirement that the independent auditor keep the Audit Committee timely informed about fraud, illegal acts and deficiencies in internal controls.
- (d) The required statement accompanying the periodic financial statements by the Chief Executive Officer and the Chief Financial Officer certifying the effectiveness of internal controls.

- Establish and review procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

- Review management's report on internal control effectiveness and the independent auditor's report attesting to management's assertions.

#### **Other Audit Committee Responsibilities**

- Following completion of the annual audit, review with management, the independent auditor and the internal auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

- Review any significant disagreement among management and the independent auditor or the internal auditor in connection with the preparation of the financial statements.

- Review with the independent auditor, the internal auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.

- Review scope, plan, changes in plan, activities, organizational structure, resources and qualifications of the internal auditor.

- Review the appointment, replacement, reassignment or dismissal of the Director of Internal Audit.

- Perform any other activities consistent with this document, the Corporation's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

- Review compliance with the requirements of the Securities and Exchange Commission for disclosure of independent auditor's services.

LANCE, INC.

**Board of Directors Governance Principles  
Definition of Independent Director**

**January 29, 2004**

“Independent director” means a person other than an officer or employee of the Corporation or its subsidiaries or any other individual having a relationship which, in the opinion of the Corporation’s Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The following persons shall not be considered independent:

- (a) a director who is, or at any time during the past three years was, employed by the Corporation or by any parent or subsidiary of the Corporation;
- (b) a director who accepted or who has a Family Member who accepted any payments from the Corporation or any parent or subsidiary of the Corporation in excess of \$60,000 during the current fiscal year or any of the past three fiscal years, other than compensation for board or board committee service, payments arising solely from investments in the Corporation’s securities, compensation paid to a Family Member who is a non-executive employee of the Corporation or a parent or subsidiary of the Corporation, benefits under a tax-qualified retirement plan, or non-discretionary compensation, or loans permitted under Section 13(k) of the Securities Exchange Act of 1934 (the “Exchange Act”) (provided, however, that Audit Committee members are subject to additional more stringent requirements);
- (c) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Corporation or by any parent or subsidiary of the Corporation as an executive officer;
- (d) a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Corporation made, or from which the Corporation received, payments for property or services in the current fiscal year or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for that year, or \$200,000, whichever is more, other than payments arising solely from investments in the Corporation’s securities or payments under non-discretionary charitable contribution matching programs;
- (e) a director of the Corporation who is, or a Family Member who is, employed as an executive officer of another entity where, at any time during the past three years, any of the executive officers of the Corporation serve on the compensation committee of such other entity; or
- (f) a director who is, or has a Family Member who is, a current partner of the Corporation’s outside auditor, or was a partner or employee of the Corporation’s outside auditor who worked on the Corporation’s audit at any time during the past three years.

“Family Member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.