

## **MCI, INC.**

### **AUDIT COMMITTEE CHARTER**

This Audit Committee Charter was adopted by the Board of Directors of MCI, Inc. on January 22, 2004, and amended by the Board of Directors on February 11, 2005.

*This Charter is intended as a component of the flexible framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By-laws, it is not intended to establish by its own force any legally binding obligations. Note that some of the provisions included in this Charter are mandated by the Certificate of Incorporation and/or the By-laws. They are restated herein for the convenience of the Committee and the Board.*

#### **I. PURPOSE**

The Committee shall assist the Board in fulfilling its responsibility to oversee: (i) the quality, accuracy and integrity of the Company's financial reporting to any governmental or regulatory body, the public or other users thereof; (ii) the Company's systems of internal accounting and financial and disclosure controls; (iii) the qualifications, engagement, compensation, independence and performance of the Company's independent "registered public accounting firm" as defined by the Public Company Accounting Oversight Board (the "Independent Auditor"), their conduct of the annual audit, and their engagement for any services; (iv) the Company's legal and regulatory compliance; (v) the Company's code of ethics; and (vi) the preparation of the audit committee report required by Securities and Exchange Commission ("SEC") rules to be included in the Company's annual proxy statement.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with access to all books, records, facilities and personnel of the Company. The Committee has the power to retain outside counsel, Independent Auditor or other experts and will receive adequate funding from the Company to engage such advisors. The Committee shall have the sole authority to retain, compensate, oversee and terminate Independent Auditor, who shall be accountable ultimately to the Committee.

## II. COMMITTEE MEMBERSHIP

The Committee shall consist of three or more members of the Board, each of whom is determined by the Board to be “independent” in accordance with any applicable SEC rules, listing rules of NASDAQ (any such rules, “Listing Rules”), the Certificate of Incorporation and the By-laws. No member of the Committee may be permitted to receive any compensation, direct or indirect, from the Company or any of its affiliates (other than fees for service on the Board and its committees) or receive fees or other remuneration from or through shareholders holding more than a one percent (1%) interest in the Company.

Each member of the Committee should have in the aggregate not less than three years prior experience serving on audit committees of public companies, or experience deemed comparable by the Board such as service at a regulatory body, standard-setting body, or as a senior audit partner of an independent audit firm. All members of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement and shall also meet the financial literacy requirements of any applicable Listing Rules and at least one member shall be an “audit committee financial expert” as such term is defined under applicable SEC rules. In addition, each member of the Committee shall have financial expertise gained as:

- (i) a senior lending or investment officer of a financial institution;
- (ii) a supervisor of financial or accounting operations as a corporate treasurer, chief financial officer or chief executive officer (if directly and materially involved in overseeing financial operations);
- (iii) a senior regulator in a federal or state supervisory agency involved with financial reporting or solvency issues;
- (iv) a senior audit partner in a public accounting firm;
- (v) an investment or portfolio manager actively managing assets of more than \$500 million for not less than five years; or
- (vi) comparable financial experience.

Additionally, no member of the Committee may serve on the audit committee of more than two other public companies.

Each new member of the Committee shall attend a training program approved by the chairman of the Committee, which shall cover the requirements and obligations of audit committees, or cover issues of accounting principles, auditing standards, risk management or ethical compliance. Additionally, as a qualification for continued Committee membership, each member of the Committee shall complete all annual

training requirements as provided or approved by the Board's Nominating and Corporate Governance Committee.

The Committee members shall be elected annually by the entire Board. Both the Committee members and the chairman may be removed by the Board. The chairman of the Committee shall be elected annually by the entire Board for no more than three one-year terms. At the end of three one-year terms, the chairman may remain as a member of the Committee and may serve again as chairman in the future. No chairman shall hold such position for a total of more than six years. The chairman shall be responsible for scheduling and presiding over Committee meetings, preparing agendas and determining the information needs of the Committee. The chairman should expect to devote significant time to the work of the Committee.

### **III. COMMITTEE MEETINGS**

The Committee shall meet on a regularly-scheduled basis at least six times per year or more frequently as circumstances dictate.

The Committee may request that any officer or other employee of the Company or the Company's outside counsel or Independent Auditor attend any meeting of the Committee or meet with any members of, or consultants to, the Committee.

### **IV. KEY RESPONSIBILITIES**

The Committee's role is one of oversight. The Company's management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting and reporting principles that are used by the Company. The Independent Auditor is responsible for auditing those financial statements and for reviewing the Company's unaudited interim financial statements. The Committee recognizes that Company management, including the internal audit staff, 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 Independent Auditor's work.

The following responsibilities are set forth as a guide with the understanding that the Committee may diverge as appropriate given the circumstances. The Committee is authorized to carry out these and such other responsibilities assigned by the Board from time to time, and take any actions reasonably related to the mandate of this Charter. The Committee may form and delegate any of its responsibilities to a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee.

To fulfill its purpose, the Committee shall:

1. review the internal audit function, charter, scope, budgeting and staffing, including appointment or replacement of the chief internal audit executive (who shall be accountable to, and report directly to, the Committee), and ensure that the internal audit function has sufficient authority, support and

access to Company personnel, facilities and records to carry out its work without restrictions or limitations;

2. review with the chief internal audit executive the proposed scope and plan for conducting internal audits of company operations; receive from the chief internal audit executive a summary of findings from completed audits (and management's response) and a progress report on the proposed internal audit plan with explanation for any deviations from the original plan;
3. review periodic reports from the chief internal audit executive with respect to, and advise the Board regarding compliance with, the Company's Code of Conduct;
4. appoint (and if appropriate dismiss), evaluate, compensate and oversee the work of the Independent Auditor, who shall report directly to the Committee; and resolve any disagreements between management and the Independent Auditor regarding financial reporting;
5. review and pre-approve any audit and permitted non-audit services (including the fees and terms thereof) provided by the Company's Independent Auditor, with the nature and amounts of non-audit services and pre-approval policies and fees disclosed as appropriate in the Company's periodic public filings (the Committee may delegate pre-approval authority to the chairman of the Committee in which case any such decision must be presented to the full Committee at its next scheduled meeting for ratification);
6. review and discuss with management and the Independent Auditor: (i) the adequacy of the Company's internal and disclosure controls and procedures, including computerized information system disclosure controls and procedures and security; (ii) any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iv) related findings and recommendations of the Independent Auditor together with management's responses;
7. review and discuss with management, including the Chief Financial Officer, the Independent Auditor and the chief internal audit executive: (i) any significant findings of the Independent Auditor during the year, including the status of previous audit recommendations; (ii) any audit problems or difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information; (iii) any changes required in the scope of the audit plan; (iv) the audit budget and staffing; and (v) the coordination of audit efforts in

order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;

8. together with the Risk Management Committee, at least once each year review, assess and discuss with the General Counsel, the Chief Financial Officer, and the Independent Auditor: (i) any significant risks or exposures; (ii) the steps management has taken to minimize such risks or exposures; and (iii) the Company's underlying policies with respect to risk assessment and risk management;
9. discuss with management and the Independent Auditor, as appropriate, earnings press releases and financial information and earnings guidance (including non-GAAP financial measures) prior to the public release of such information to analysts and to rating agencies;
10. establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
11. review and concur in the appointment, reassignment, replacement, compensation or dismissal of the Chief Financial Officer, and in this regard conduct an annual review of the Chief Financial Officer's: (i) performance, including but not limited to his or her overall competence and expertise, record in achieving transparency in financial reports, establishment and enhancement of internal controls and recruitment and training of a high quality finance department staff; (ii) compliance with the Company's Code of Conduct and Ethics Pledge and any other code of business conduct and ethics applicable to the Chief Financial Officer; (iii) absence of any involvement in profit making activities outside the Company (other than investments in bona fide instruments or situations available to the public and wholly unrelated to the Company); and (iv) absence of any conflicts or related party transactions; this performance review shall encompass a review of all business and investing activities of the Chief Financial Officer upon full disclosure of such activities by the Chief Financial Officer;
12. review periodically with the General Counsel: (i) legal and regulatory matters that may have a material impact on the Company's financial statements; (ii) the scope and effectiveness of compliance policies and programs; (iii) contingent legal and regulatory risks to the Company; and (iv) reports of all transactions in the Company's stock by members of the Board and senior executives for compliance with both legal and corporate standards;

13. meet at least quarterly with (i) the internal auditor and the Independent Auditor in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present and (ii) management.
14. review periodically with management the provisions of any code of business conduct and ethics (including the Company's Ethics Pledge and policies and procedures concerning trading in Company securities and use in trading of proprietary or confidential information) applicable to directors and senior officers (including financial officers) and compliance hereunder, including any waivers sought under such code; any waiver granted by the Committee shall be reported by the Committee to the Board and approval of the Board shall be required to grant any such waiver to any officer who is a member of the Board;
15. review and discuss with management and the Independent Auditor (i) all critical accounting policies and practices used by the Company; (ii) any significant changes in Company accounting policies; (iii) any material alternative accounting treatments within GAAP that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm; and (iv) any new or proposed accounting and financial reporting standards that may have a significant impact on the Company's financial reports and management's plan to implement these required changes; and inquire as to the Independent Auditor's views about whether Company accounting principles as applied are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether or not those principles reflect common or minority practices;
16. review and discuss with the General Counsel and the Chief Ethics Officer and the Independent Auditor, and, if appropriate, approve any proposed transactions or courses of dealing with related parties (*e.g.*, significant shareholders, directors, corporate officers or other members of senior management or their family members) that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties;
17. hold a focused review and discussion at least once per year on opportunities for enhanced disclosure.
18. review and discuss with the Independent Auditor: (i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any "management" or

- “internal control” letter issued, or proposed to be issued, by the Independent Auditor or any other material written communications between the Independent Auditor and management such as any management letter or schedule of “unadjusted differences”;
19. review and discuss with the Independent Auditor (i) management’s annual report on internal control over financial reporting and (ii) the Independent Auditor’s attest report on management’s report;
  20. review the Company’s financial statements, including: (i) prior to public release, reviewing and discussing with management and the Independent Auditor the Company’s annual and quarterly financial statements to be filed with the SEC, including (a) the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” (b) any certifications regarding the financial statements or the Company’s internal accounting and financial controls and procedures and disclosure controls or procedures filed with SEC by the Company’s senior executive and financial officers and (c) the matters required to be discussed with the Independent Auditor by Statement of Auditing Standards No. 61; (ii) with respect to the Independent Auditor’s annual audit report and certification, before release of the annual audited financial statements, meeting separately with the Independent Auditor without any management member present and discussing the adequacy of the Company’s system of internal accounting and financial controls and the appropriateness of the accounting principles used in and the judgments made in the preparation of the Company’s audited financial statements and the quality of the Company’s financial reports; (iii) meeting separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with the Independent Auditor; and (iv) making a recommendation to the Board of Directors regarding the inclusion of the audited annual financial statements in the Company’s Annual Report on Form 10-K to be filed with the SEC;
  21. at least annually, 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 of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the Independent Auditor and the Company (to be set out in the formal written statement described below);
  22. on an annual basis: (i) review a formal written statement from the Independent Auditor delineating all relationships between the Independent Auditor and the Company, consistent with Independence Standards Board Standard No. 1 (as modified or supplemented), actively engage in a dialogue with the Independent Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence

- of the Independent Auditor and take appropriate action in response to the Independent Auditor's report to satisfy itself of the auditor's independence; (ii) consider whether there is a compelling case for Independent Auditor to provide consulting activities; and (iii) set clear hiring policies for employees or former employees of the Independent Auditor;
23. solicit audit proposals from independent registered public accounting firms at least every five years and ensure that the Company changes its Independent Auditor at least every ten years (as provided for in the Certificate of Incorporation and/or By-laws) and oversee the rotation of the lead audit partner every five years;
  24. prepare a report of the Committee that is required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement;
  25. review a report on the usage of corporate aircraft, including a review of flight logs and compliance with applicable Corporate Policies;
  26. invite comments from major shareholders concerning the quality of the Company's disclosures, financial transparency and risk assessments, and meet with interested shareholders, analysts and other interested parties not less than once per year;
  27. determine that a disclosure committee has been established by the CEO, CFO and the Company and review the role of each of the foregoing in discharging their respective obligations under applicable law and Corporate Policy (as defined in the Certificate of Incorporation);
  28. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;
  29. review and reassess the adequacy of this Charter annually, and amend as the Committee deems appropriate; and
  30. report regularly to the Board on Committee findings and recommendations (including on any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditor or the performance of the internal audit function) and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.