

# PENNTEx MIDSTREAM PARTNERS, LP

## AUDIT COMMITTEE CHARTER

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The Board of Directors (the “Board”) of PennTex Midstream GP, LLC (the “General Partner”), the general partner of PennTex Midstream Partners, LP (the “Partnership” and, together with its subsidiaries and the General Partner, the “Partnership Group”) has established the Audit Committee of the Board (the “Committee”) to have such authority, responsibility and specific duties as described in this Audit Committee Charter (the “Charter”).

### PURPOSES OF THE COMMITTEE

The purposes of the Committee are to:

- A. Assist the Board in fulfilling its oversight responsibilities regarding:
  - 1. the integrity of the Partnership Group’s financial statements;
  - 2. the Partnership Group’s compliance with legal and regulatory requirements;
  - 3. the qualifications, independence and performance of the independent registered public accounting firm engaged for the purpose of issuing an audit report on the Partnership Group’s financial statements or performing other audit, review or attestation services for the Partnership Group;
  - 4. the effectiveness and performance of the Partnership Group’s internal audit function; and
  - 5. the Partnership Group’s system of internal controls over financial reporting, accounting, legal compliance, and ethics, including the effectiveness of disclosure controls and controls over processes that could have a significant impact on the Partnership Group’s financial statements.
- B. Foster open communications among the independent auditor, financial and senior management, the Partnership Group’s internal audit function and the Board.
- C. Perform such other functions as the Board may assign to the Committee from time to time.

### MEMBERSHIP

Subject to applicable transition periods, the Committee must consist of not less than three members of the Board. Subject to applicable transition periods, all members of the Committee must be “independent” as defined by the rules of the Securities and Exchange Commission (“SEC”) and the listing requirements of the NASDAQ Global Market (“NASDAQ”). Each member of the Committee must meet the financial literacy requirements of NASDAQ and must be able to read and understand fundamental financial statements, including the Partnership’s balance sheet, income statement and

cash flow statement, and at least one member of the Committee must be a “financial expert” (as defined by applicable rules of the SEC). Committee members may not simultaneously serve on the Audit Committees of more than two other public companies. Notwithstanding the foregoing membership requirements, no action of the Committee will be invalid by reason of any such requirement not being met at the time such action is taken.

The members of the Committee and its Chairman will be selected by the Board, and will serve at the pleasure of the Board. Any vacancy on the Committee will be filled by, and any member of the Committee may be removed by, an affirmative vote of a majority of the Board. If a Chairman has not been designated by the Board or is not present at a meeting, the Committee may designate a Chairman by majority vote of the Committee members then in attendance.

### **MEETINGS OF THE COMMITTEE**

The Committee shall meet as frequently as the Committee may determine, and in any event not less than once per fiscal quarter. The Committee shall also meet separately, on a periodic basis, in executive session without management present and in separate sessions with management, with the person in charge of the Partnership Group’s internal audit function (the “Internal Auditor”), and with the Partnership Group’s independent auditor. The Chairman or a majority of the members of the Committee may call meetings of the Committee upon reasonable notice to all members of the Committee. A majority of the Committee members shall constitute a quorum and the vote of a majority of Committee members in attendance at a meeting at which a quorum is present shall constitute action by the Committee. The Committee may meet in person, by telephone or videoconference (or similar electronic means), and may act by unanimous written consent.

### **AUTHORITY AND RESPONSIBILITIES OF THE COMMITTEE**

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the Partnership Group’s independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting). The Committee shall have sole authority to pre-approve all audit, audit-related and permitted non-audit engagements with the independent auditor, including the fees and other terms of such engagements. The independent auditor shall report directly to the Committee. The Committee may consult with management but may not delegate these responsibilities to management.

The Committee shall have the authority to retain legal, accounting or other consultants to advise the Committee for matters within the Committee’s scope of responsibilities and to approve such firms’ fees and other retention terms. The Committee may request any officer or employee of the Partnership Group or the Partnership Group’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist the Committee in the conduct of any such investigation. The Committee shall have the

resources and funding necessary or appropriate for the Committee to discharge its duties and responsibilities as set forth in this Charter and as required by applicable laws and regulations.

The Committee may form and delegate authority to subcommittees as it may deem necessary or appropriate.

## **FINANCIAL STATEMENT AND DISCLOSURE MATTERS**

The Committee shall:

- A. Meet to review and discuss with management and the independent auditor the Partnership Group's annual audited financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Partnership's annual reports filed with the SEC on Form 10-K, and recommend to the Board whether the audited financial statements should be included in the Form 10-K.
- B. Review and discuss with management and the independent auditor the Partnership Group's quarterly financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Partnership's quarterly reports filed with the SEC on Form 10-Q, prior to the filing of its quarterly reports on Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- C. Review management's processes for ensuring the adequacy of internal controls over financial reporting and disclosure controls and procedures, including the Partnership Group's process for performing required certifications under Sections 302 and 906 of the Sarbanes-Oxley Act and, if applicable, the Partnership Group's annual assessment of the effectiveness of internal controls and the independent auditors' report on the Partnership Group's assessment.
- D. Discuss with management any earnings press releases (paying particular attention to the use of non-GAAP information) or earnings guidance distributed publicly. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the types of presentations to be made).
- E. Review and discuss with management and the independent auditor:
  1. major issues regarding accounting principles and financial statement presentations, including any significant changes in the Partnership Group's selection or application of accounting principles, and major issues as to the adequacy of the Partnership Group's internal controls and any audit procedure adopted or modified in light of material control deficiencies;
  2. analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of generally accepted accounting principles ("GAAP") on the financial statements;

3. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Partnership Group; and
  4. any significant communications between the independent audit team and the audit firm's national office respecting major audit or accounting issues presented by the engagement.
- F. Discuss with the independent auditor (a) all critical accounting policies and practices used by the Partnership Group; (b) all alternative treatments of financial information within GAAP relating to material items that have been discussed with management; (c) ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and (d) other material communications between the independent auditor and management.
- G. Review with the independent auditor any audit problems or difficulties and management's responses. Such review shall include:
1. any difficulties encountered in the course of the audit work, including restrictions on the scope of activities or access to requested information;
  2. significant disagreements with management; and
  3. any accounting adjustments that were noted or proposed by the independent auditor to management but were not accepted or adopted (as immaterial or otherwise).
- H. Discuss with management the Partnership's major risk exposures and work with management to develop and implement risk assessment and risk management guidelines, policies and practices.
- I. Discuss with management, the independent auditor and the Internal Auditor the effectiveness of, and any significant changes to, the Partnership Group's internal controls, including internal controls over financial reporting, that have been identified during the conduct of their work.
- J. Review with management, the independent auditor and the Internal Auditor the results of the review of the design and operation of the Partnership Group's system of internal controls over financial reporting and the assessment of the effectiveness of such controls. Review any identified "significant deficiencies" and "material weaknesses," as defined in the Public Company Accounting Oversight Board's Auditing Standard No. 2.
- K. Review and discuss with management the Partnership's earnings press releases, including the types of information to be disclosed and the type of presentations to be made.
- L. Discuss the risk of fraud with management, the Internal Auditor and the independent

auditor and review the implementation of controls to mitigate fraud risks.

## **OVERSIGHT OF THE INDEPENDENT AUDITOR**

The Committee shall:

- A. Obtain and review a written report from the independent auditor at least annually regarding:
  1. the auditor's internal quality control procedures;
  2. any material issues raised by the most recent 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 respecting one or more independent audits carried out by the firm;
  3. any steps taken to deal with any such issues;
  4. all relationships between the independent auditor and the Partnership Group; and
  5. any other relationships that may materially adversely affect the independence of the auditor.
- B. Following review of the foregoing report and the work performed by the independent auditor, evaluate the qualifications, performance and independence of the independent auditor, including that of the lead partner and other senior members of the audit team, taking into consideration the opinions of management and the Internal Auditor. The Committee shall present its conclusions to the Board.
- C. Establish a policy and procedures relating to the engagement of the independent auditor to provide audit, audit-related and permitted non-audit services, including the Committee's pre-approval of such services; consider whether the performance of permitted non-audit services impairs the independent auditor's independence.
- D. Assure the periodic rotation of the lead audit partner and the audit partner responsible for reviewing the audit as required by applicable law and regulations; consider whether there should be a regular rotation of the independent audit firm itself in order to assure continuing independence of the independent auditor.
- E. Discuss with management and, if necessary, design and implement hiring policies for employees or former employees of the independent auditor.
- F. Review and discuss with the independent auditor, prior to the audit, the audit planning process, including the scope, fees, staffing and timing of the audit.

## **OVERSIGHT OF THE PARTNERSHIP GROUP'S INTERNAL AUDIT FUNCTION**

The Committee shall:

- A. Review the appointment, reassignment and replacement of the Internal Auditor.
- B. Discuss the responsibilities, budget and staffing of the internal audit function and any recommended changes with the Internal Auditor.
- C. Provide guidance and oversight to the internal audit function including the plans and procedures for assuring implementation of accepted recommendations made by the Partnership Group's internal audit function.

## **COMPLIANCE OVERSIGHT RESPONSIBILITIES**

The Committee shall:

- A. If applicable, receive from the independent auditor a report regarding the items required pursuant to Section 10A(b) of the Exchange Act.
- B. Review and approve the Partnership Group's Code of Business Conduct and Ethics (the "Code of Conduct"). Approve any waiver from the Code of Conduct applicable to executive officers or Directors.
- C. Discuss with management and the Internal Auditor compliance by the Partnership Group and its subsidiaries with material applicable laws and regulations and the Code of Conduct, including the systems and practices established by management to assure compliance; periodically review with the Partnership Group's General Counsel related-party transactions; advise the Board with respect to any alleged material non-compliance with applicable laws and regulations or with Partnership Group policies, including the Code of Conduct.
- D. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Partnership Group's financial statements or accounting policies.
- E. Review any material legal proceedings involving the Partnership Group and other contingent liabilities; discuss with the Partnership Group's General Counsel legal matters that may have a material impact on the financial statements or the Partnership Group's compliance policies.
- F. Establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Partnership Group regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

## **ADDITIONAL RESPONSIBILITIES**

The Committee shall:

- A. Review with the independent auditor and management of the Partnership Group the extent to which changes or improvements in financial or accounting practices have been implemented.
- B. Review with management the Partnership Group's accounting function, including the quality of personnel.
- C. Perform any other activities consistent with this Charter, the General Partner's organizational documents, the Partnership's organizational documents and applicable law as the Committee or the Board may, from time to time, deem necessary or appropriate.

### **LIMITATION OF RESPONSIBILITY**

The management of the Partnership Group is responsible for the preparation, presentation and integrity of the Partnership Group's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with applicable accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit and reviews, including reviews of the Partnership's annual financial statements, reviews of the quarterly financial statements prior to the filing of each quarterly report on Form 10-Q and other procedures.

In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not employees of the Partnership Group and are not, and do not represent themselves to be, accountants or auditors by profession or, except as may be disclosed in the Partnership Group's filings with the SEC, experts in the fields of accounting or auditing, including in respect of auditor independence. Therefore, it is not the duty or responsibility of the Committee to conduct "field work" or other types of auditing or accounting reviews or procedures or to set audit or independence standards, and each member of the Committee shall be entitled to rely on:

1. the integrity and skill of those persons and organizations within and outside the Partnership Group from which it receives information; and
2. the accuracy of the financial and other information provided by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

### **MINUTES, REPORTS AND EVALUATION**

The Committee will maintain written minutes of its meetings that will be filed with the minutes of the meetings of the Board.

The Committee will report periodically to the Board regarding the Committee's activities, which will be incorporated as a part of the minutes of the Board at which those reports

are presented. In addition, as necessary, the Committee shall review with the Board any material issues that arise with respect to the quality or integrity of the Partnership Group's financial statements, the Partnership Group's compliance with legal or regulatory requirements, the performance and independence of the Partnership Group's independent auditor or the performance of the internal audit function.

The Committee shall evaluate its performance on an annual basis and develop appropriate criteria for such evaluation. In addition, at least annually, this Charter shall be reviewed and reassessed by the Committee, and any proposed changes shall be submitted to the Board for approval.

#### **POSTING REQUIREMENT**

The Partnership Group will make this Charter available on or through the Partnership Group's website to the extent required by applicable rules and regulations.

**As adopted June 3, 2015**