

Audit Committee Charter

Purpose of the Committee

The Audit Committee is appointed to assist the Board in overseeing:

- a. The qualifications, performance and independence of the Company's independent auditors;
- b. The integrity of the Company's financial statements and disclosures;
- c. The performance of the Company's internal audit function and internal controls; and
- d. The Company's compliance with legal and regulatory requirements.

The Audit Committee shall prepare the report required by the Securities and Exchange Commission (hereafter the "SEC") to be included in the Company's annual proxy statement.

Composition of the Committee

The Audit Committee will consist of at least three members of the Board. The members of the Audit Committee will comply with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC and the NASDAQ Stock Market, including those relating to qualifications and independence.

Committee members shall be appointed by the Board. Members shall serve until their successors are duly elected and qualified. At least one member of the Committee will be designated as the "financial expert," as defined by SEC regulations.

Meetings and Procedures

The Audit Committee will meet as often as it deems necessary but not less frequently than four times a year. The chairperson of the Committee will, in consultation with appropriate Committee members, determine the length of Committee meetings and develop the Committee's agenda.

The Audit Committee will meet periodically in separate Executive Sessions with management, the internal auditors and the independent auditor. In addition, the Audit Committee may request any 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 members of, or consultants to, the Committee.

The Committee shall undertake an annual review of its own performance to determine ways to improve its ability to discharge its responsibilities.

Responsibilities and Authority

- a. **Relationship with Independent Auditor:** The Audit Committee has the responsibility to appoint, retain, compensate, evaluate and terminate the Company independent auditor. In this capacity, the Committee shall have sole authority to approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. As part of its oversight function, the Audit Committee has the responsibility for resolving disagreements between management and the independent auditors, and for pre-approval of all audit and non-audit services to be performed by the independent auditors.

At least annually, the Audit Committee must obtain and review a report by the Company independent auditor on these points:

- The auditor's internal quality control procedures;
- Any material issues raised by the most recent internal quality-control review or peer review of the auditor, or by any inquiry or investigation by any government or professional authority (including the Public Accounting Oversight Board), within the preceding five years, in respect of one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and

- All relationships between the independent auditors and the Company, including a description of each category of services provided to the Company.

The Audit Committee will set clear hiring policies for employees or former employees of the independent auditor.

- b. **Review of Financial Statements and Related Disclosures:** In carrying out its oversight responsibilities relating to financial statements and disclosures, the Audit Committee will:
- Review and discuss, prior to filing, the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management Discussion and Analysis of Financial Condition and Results of Operations";
 - Recommend to the Board, based on the Committee's review, whether the audited financial statements should be included in the Company's annual report;
 - Obtain annually from the independent auditor a report of all critical accounting policies and practices, all alternative treatments of financial information that have been discussed and the impact of such alternatives treatments, including the treatment preferred by the independent auditor, and all material communications between the independent auditor and management;
 - Review and discuss with management the Company's earnings press release and other material to be made public containing characterizations of the Company's financial performance;
 - Periodically discuss with management and the independent auditor the effect of regulatory and accounting developments as well as any off balance sheet structures on the Company's financial statements; and
 - Discuss with the independent auditor the matters required under Statement on Auditing Standards No. 61 relating to the conduct of the audit, including the management letter provided by the independent auditor and the Company's response to that letter, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- c. **Internal Audit Function:** The Company shall establish an internal audit function, which may be outsourced to a firm other than the Company's independent auditor. The Audit Committee shall review the internal audit function, including the independence and authority of its reporting obligations, the audit plans proposed for the coming year and the coordination of such plans with the work of the independent auditors. The Audit Committee will meet separately with appropriate members of the internal audit function from time to time.
- d. **Compliance Oversight and Other Matters:** In connection with its compliance and other oversight responsibility, the Audit Committee shall:
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. In addition, the Committee shall ensure that all such complaints are treated confidentially and anonymously, as set forth in Section 301 of the Sarbanes-Oxley Act of 2002;
 - Review all related party transactions and potential conflict of interest situations involving the Company's principal stockholder or members of the Board or senior management;
 - Obtain from the Company's independent auditor assurance that it is not aware of any circumstances that would require reporting under Section 10A of the Securities Exchange Act of 1934;
 - Prepare the report of the Audit Committee required by the proxy rules of the SEC to be included in the Company's annual proxy statement;
 - Review with the Chief Executive Officer and the Chief Financial Officer the Company's disclosure controls and procedures and, at least quarterly, management's conclusions about the efficacy of such disclosure controls and procedures, including any deficiencies in or material non-compliance with, such controls and procedures;
 - Review any form of opinion the independent auditor proposes to render to the Board and Stockholders;
 - Discuss policies with respect to risk assessment and risk management;
 - Report regularly to the Board; and

- Review and assess the charter of this Committee at least annually.

Limits of Role

While the Audit Committee has the duties and responsibilities set forth in this charter, it is not the duty of the Audit 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 principles and applicable rules and regulations. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company, that it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and that each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) statements made by management or third parties as to any information technology, internal audit and other non-audit services provided by the auditors to the Company.

Resources

The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage outside auditors for special audits, reviews and other procedures and to retain special counsel and other experts or consultants.