

Audit Committee Charter

I. Organization

The Committee shall consist of at least three Directors, including a Chairperson, each of whom shall:

- A. meet the applicable independence and experience requirements of the NASDAQ or other relevant listing authority, the federal securities laws (as amended by the Sarbanes-Oxley Act of 2002) and the rules and regulations of the Securities and Exchange Commission ("SEC");
- B. must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement; and

At least one member of the Committee will be qualified as an "audit committee financial expert," as defined by the rules and regulations of the SEC.

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee also shall meet periodically with management and with the independent auditor (without the participation of management) in separate executive sessions. The Committee shall make regular reports to the Board on the Committee's activities.

II. Purpose

The Committee will:

- A. assist the Board of Directors in its oversight of:
 - the integrity of the Company's financial statements, and disclosure and other internal control processes; and
 - the Company's compliance with ethics policies, and legal and regulatory requirements;
- B. prepare the report of the Committee required to be included in the Company's annual proxy statement.
- C. select, retain, compensate, oversee and evaluate the independent auditor; and
- D. provide oversight on the Company's guidelines and policies with respect to business risk management and any other matters as the Board or the Committee deems appropriate.

III. Responsibilities

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to determine that the Company's financial statements are complete, accurate, and in accordance with accounting principles generally accepted in the United States, or to plan or conduct audits. These are the responsibilities of management or the independent auditor.

The Committee may amend this Charter from time to time as it deems appropriate.

A. Relationship with Independent Auditor

1. Selection and Oversight of Independent Auditor

The Committee shall have the sole authority and responsibility to retain and terminate the Company's independent auditor. The independent auditor shall report directly to the Committee. The Committee shall resolve disagreements between management and the independent auditor regarding financial reporting, and communicate to the independent auditor that he/she is ultimately accountable to the Committee. The Company shall provide appropriate funding, as determined by the Committee, to compensate the independent auditor.

The Committee shall:

- (a) review and evaluate the lead audit partner of the independent auditor team;
- (b) ensure the rotation of the lead audit partner, and other professional personnel of the independent auditor involved in the audit, as required by law and regulation;
- (c) set clear hiring policies for employees or former employees of the independent auditor, in compliance with SEC and NASDAQ regulations;
- (d) meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit; and
- (e) pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed by the independent auditor, subject to applicable *de minimis* exceptions for non-audit services. The Committee may delegate this authority to a subcommittee of one or more Committee members; *provided, however*, that such subcommittee decisions subsequently are presented to the full Committee in a timely manner, but in no event later than the next Committee meeting.

2. Assessment of Independence and Quality of Independent Auditor

At least annually, the Committee shall obtain and review a formal written report by the independent auditor describing:

- (a) the auditing firm's internal quality-control procedures;
- (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, 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 independent auditor, and any steps taken to deal with any such issues; and
- (c) all relationships between the independent auditor and the Company (in order to assess independence). The Committee will engage in an active dialogue with the independent auditor regarding any disclosed relationships or services that might 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 independent auditor's independence.

C. Oversight of Financial Disclosure and Internal Controls

1. The Committee will review and discuss with management and the independent auditor, as appropriate:
 - (a) the Company's annual audited financial statements and quarterly unaudited financial statements, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations", the results of each quarterly review and annual audit by the independent auditor, and other matters required to be discussed with the independent auditor by relevant auditing standards, including the quality, not just the acceptability, of the accounting principles and underlying estimates used in the audited financial statements. The Committee also will review and discuss each Form 10-Q and Form 10-K with the Chief Executive Officer, the Chief Financial Officer and the Internal Counsel, prior to filing. The Committee will report to the Board and shareholders whether it recommends to the Board that the most recent year's audited financial statements be included in the Form 10-K;
 - (b) any other SEC filings as the Committee deems appropriate, prior to filing;
 - (c) earnings press releases (including the use of *pro forma* or adjusted non-GAAP information) prior to release;
 - (d) financial information and earnings guidance provided to analysts and rating agencies (this discussion may be general, and need not take place prior to each instance in which such information is provided); and
 - (e) the integrity of the Company's accounting and financial reporting processes (both internal and external), including, but not limited to:
 - (i) all critical accounting policies and practices (including accounting estimates) to be used by the Company, including all major issues regarding accounting principles and financial statement presentations, and any significant changes in the Company's selection or application of accounting principles;
 - (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments (including use of estimates) made in connection with the preparation of the financial statements, including any required analyses of the effects of alternative GAAP methods on the financial statements;
 - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;

- (iv) the results of the activities of the Internal Auditor and the independent auditor, including major conclusions, findings and recommendations and related management responses;
 - (v) any material written communications between the independent auditor and management, including any management letters or schedules of unadjusted differences; and
 - (vi) matters of audit quality and consistency, including required communications between the audit team and the independent auditor's national office respecting auditing or accounting issues arising during the engagement.
 - (vii) management's assertions concerning the effectiveness of :
 - (1) disclosure controls and procedures; and
 - (2) internal controls, as of the end of the most recent fiscal year;
 - (viii) any disclosures made to the Committee by the Company's chief executive officer and/or chief financial officer regarding:
 - (1) significant deficiencies in the design or operation of internal controls or any material weaknesses therein; and
 - (2) any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls; and
 - (ix) any special audit steps adopted in light of material control deficiencies
2. The Committee will review and discuss, with the independent auditor, any audit problems or other difficulties encountered by the independent auditor in the course of the audit process, and management's response, including any:
- (a) restrictions on the scope of the independent auditor's activities or on access to requested information;
 - (b) significant disagreements with management (and management's responses to such matters);
 - (c) accounting adjustments that were noted or proposed by the independent auditor but were passed (as immaterial or otherwise); and
 - (d) management or internal control letter issued, or proposed to be issued, by the independent auditor to the Company.

3. The Committee shall review:

- (a) material litigation involving the Company and litigation involving officers and directors;
- (b) legal, tax and other developments of major significance to the Company;
- (c) the Company's guidelines and policies with respect to risk assessment and risk management, including major financial risk exposures and the steps management has taken to monitor and control such exposures.
- (d) compliance with the law, legal business policies and regulatory requirements;
- (e) the management delegation of authority process; and
- (f) such other matters as the Board or the Committee considers appropriate.

IV. Compliance and Investigations

The Committee shall establish procedures, within the timeframe established by SEC rulemaking and NASDAQ regulations, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee shall receive corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty. In discharging its oversight role, the Committee is empowered to investigate any matter within the scope of its responsibility, with full access to all books, records, facilities and personnel of the Company. The 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.

V. Engagement of Experts and Advisors

The Committee will, as it deems appropriate, engage outside legal, accounting or other advisors, without the need for prior approval by the Board of Directors. The Company shall provide appropriate funding, as determined by the Committee, for payment of applicable fees and expenses of these parties.

VI. Self-Assessment and Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.