

## **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHARTER**

#### **I. PURPOSE**

The purpose of the Audit Committee is to oversee the Corporation's accounting and financial reporting processes and the audit of the Corporation's financial statements. In that regard, the Audit Committee assists the Board of Directors in monitoring: the integrity of financial reports and other financial information provided by the Corporation to the public; the Corporation's systems of disclosure controls and internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process, disclosure controls and internal control system.
- Oversee the Corporation's compliance with legal and regulatory requirements.
- Oversee the independent auditor's qualifications and independence.
- Review and appraise the audit efforts of the Corporation's independent accountants and internal auditing activities.
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing function, and the Board of Directors.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section 4 of this Charter and reporting regularly to the Board of Directors. [MA1]

#### **II. COMPOSITION**

The Audit Committee shall be comprised of three or more directors, all of whom shall meet the applicable independence and experience requirements of applicable stock exchange listing standards and Securities Exchange Commission (the "SEC") rules and regulations, described below. The following persons shall not be considered Independent Directors:

- (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 \$120,000 during any period of twelve consecutive months within the current or any of the past three fiscal years, other than the following: (i)

compensation for board or board committee service; (ii) payments arising solely from investments in the Corporation's securities; (iii) compensation paid to a Family Member who is a non-executive employee of the Corporation or a parent or subsidiary of the Corporation; (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or (v) loans permitted under Section 13(k) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or successor provision. Family Member means a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who share the person's home;

- (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 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 the following: (i) payments arising solely from investments in the Corporation's securities; or (ii) payments under non-discretionary charitable contribution matching programs;
- (e) a director who is, or has 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;
- (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 any of the past three years; or
- (g) a director who has a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

Further, all members of the Audit Committee shall meet the following additional criteria:

- (x) Each member of the Audit Committee must meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act (subject to the exemptions provided in Rule 10A-3(b)(iv));
- (y) 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; and
- (z) Be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.

At least one member of the Audit Committee shall have accounting or related financial management expertise and be deemed an “audit committee financial expert”, in compliance with the criteria established by the SEC and other regulations. The existence of such member shall be disclosed in periodic filings as required by the SEC. Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be appointed by the Board of Directors at the annual organizational meeting of the Board of Directors or until their successors shall be duly elected and qualified. Unless a Chair is appointed by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

### **III. MEETINGS**

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. Each regularly scheduled meeting will conclude with an executive session of the Audit Committee absent members of management. As part of its job to foster open communication, the Audit Committee should meet at least annually with management, the director of the internal auditing function and the independent accountants 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 or at least its Chair should meet with the independent accountants and management quarterly to review the Corporation’s financial reporting consistent with Section IV.4 below.

The Audit Committee may request any officer or employee of the Corporation or the Corporation’s outside counselor or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

A quorum of the Audit Committee shall be declared when a majority of the appointed members of the Audit Committee are in attendance. Meetings shall be scheduled at the discretion of the Audit Committee Chairman. Notice of meetings shall typically be provided within a reasonable period in advance. The Audit Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

The independent accountants or the director of the internal audit function may request a meeting with the Audit Committee at any time.

### **IV. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Audit Committee shall:

#### **Documents/Reports Review**

1. Review, assess the adequacy of, and update this Charter periodically, at least annually, as conditions dictate, and recommend changes to the Board of Directors.
2. Review and discuss with the Corporation’s management and the independent

auditor the Corporation's annual and quarterly financial statements, including disclosure's made in management's discussion and analysis, and any other significant reports (at the Audit Committee's discretion) or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants. Annually, recommend to the Board of Directors whether the financial statements should be included in the annual report on Form 10-K.

3. Review and discuss with management and the independent auditor the Corporation's regular internal controls report or any other internal control report, management's responses to the recommendations (or summaries thereof) and the independent auditor's attestation report prior to the filing of the Corporation's 10-K.
4. Review and discuss with management and the independent accountants the Corporation's Forms 10-K and 10-Q prior to their filing. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of these reviews.
5. Review earnings press releases, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-GAAP information. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the type of presentations to be made).
6. Review financial information and earnings guidance provided to analysts and ratings agencies. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the type of presentations to be made).

### **Independent Accountants**

7. Review the independent auditor's qualifications and independence.
8. Appoint, compensate, and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditors and remove the independent auditors if circumstances warrant. The independent auditors shall report directly to the Audit Committee and the Audit Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.
9. Regularly review with the independent auditor any problems or difficulties and management's response, review the independent auditor's attestation and report on management's internal control report and hold timely discussions with the independent auditors regarding the following:
  - all critical accounting policies and practices;
  - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

- other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - an analysis of the auditor’s judgment as to the quality of the Corporation’s accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
10. At least annually, obtain and review a report by the independent auditor describing:
- the firm’s internal quality-control procedures; any material issues raised by the most recent internal quality-control review, peer review, 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, and any steps taken to deal with any such issues; and
  - (to assess the auditor’s independence) all relationships between the independent auditor and the Corporation.
11. Review and pre-approve both audit and non-audit services (excluding prohibited non-audit services as defined in the Exchange Act) to be provided by the independent auditor (other than with respect to de minimis exception permitted by Section 10A(i)(1)(B) of the Exchange Act). This duty may be delegated to one or more designated members of the Audit Committee with any such pre-approval reported to the Audit Committee at its next regularly scheduled meeting. Approval of non-audit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act. The Audit Committee shall establish policies and procedures for the engagement of the outside auditor to provide permissible non-audit services, which shall include pre-approval of such services.
12. Determine the amount of appropriate funding, to be provided by the Corporation, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attestation services for the Corporation, to any advisors employed by the Audit Committee and for the ordinary administrative expenses of the Audit Committee that are necessary and appropriate in carrying out its duties.
13. Review annually the experience and qualifications of the lead partner and other senior members of the independent audit team and determine that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed. The Audit Committee will also consider whether there should be rotation of the independent auditor itself.
14. Set clear hiring policies, compliant with governing laws or regulations, for employees or former employees of the independent auditor.
15. Discuss with the independent auditor the matters required to be discussed by Statement on Accounting Standards No. 114 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with

management.

### **Internal Audit**

16. Review and approve the selection and removal of the internal audit director.
17. Review and approve the internal audit plan (and all major changes to the plan) annually.
18. Review the activities, organization structure, qualification and effectiveness of the internal audit function.
19. On a regular basis, meet separately with the internal audit director to discuss any matters that the Committee or internal audit director believes should be discussed privately.

### **Financial Reporting Processes**

20. In consultation with the independent accountants and the internal auditors, review their findings on the integrity of the Corporation's financial reporting processes, both internal and external. Also review and consider the effectiveness of the Corporation's internal control structure including disclosure controls and internal control over financial reporting and information technology security and controls.
21. Receive and review any disclosure from the Corporation's Chief Executive Officer or Chief Financial Officer made in connection with the certification of the Corporation's Forms 10-K and 10-Q of:
  - any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize, and report financial data; and
  - any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.
22. Review major issues regarding accounting principles and financial statement presentations, including complex or unusual transactions and highly judgmental areas; any significant changes in the Corporation's selection or application of accounting principles and; major issues as to the adequacy of the Corporation's internal controls, any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
23. Review analyses prepared by management and the independent accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

24. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements.
25. Review and approve all related party transactions involving the Corporation's executive officers and directors.
26. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters.
27. Establish and maintain procedures for the confidential, anonymous submission by employees of the Corporation regarding questionable accounting or auditing matters.
28. Ensure that a public announcement of the Corporation's receipt of an audit opinion that contains a going concern qualification is made promptly.

### **Additional Oversight**

29. Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
30. Following completion of the annual audit, review separately with each of management, the independent accountants and the internal auditing function any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
31. Review any significant disagreement among management and the independent accountants or the internal auditing function in connection with the preparation of the financial statements.
32. Review with the independent accountants, the internal auditing function and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)
33. Conduct an annual performance assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.

### **Ethical and Legal Compliance**

34. Establish, review and update periodically the Corporation's Code of Conduct and review management's monitoring of compliance with such Code and processes developed, and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
35. Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies.

36. Review with the Corporation's counsel, any legal matter that could have a significant impact on the organization's financial statements.
37. Review the Chief Executive Officer's and the Chief Financial Officer's Section 302 and 906 certifications on a quarterly basis.
38. Obtain regular updates from the General Counsel regarding compliance matters.
39. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

### **Risk Management**

40. Review and evaluate the Corporation's approach to risk management in light of the Corporation's business strategy, capital strength, and overall risk tolerance. The Audit Committee also shall oversee on a periodic basis and discuss with management the Corporation's risk assessment and risk management policies, including the internal system to review operational risks, procedures for investment and trading, and safeguards to ensure compliance with procedures.
41. Provide oversight to the Corporation's Benefits Committee or other processes for overseeing the management of pension assets and liabilities.
42. Oversee the Corporation's management of and controls over cash and investments, currency exposures, interest rate and commodities risks, in particular where hedging activities are undertaken.

### **Tax Policies**

43. Review periodically the Corporation's tax status and any pending audits or assessments.

### **Management Letter**

44. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

### **Audit Committee Report**

45. Prepare the Audit Committee report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

### **Compliance With Laws and Regulations**

46. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.

### **Additional Responsibilities and Duties**

47. Have such additional responsibilities and perform such additional duties as are specifically delegated to the Audit Committee by the Board from time to time.



## **V. CONFLICT OF INTEREST**

In the event that an Audit Committee member faces a potential or actual conflict of interest with respect to a matter before the Audit Committee, that Audit Committee member shall be responsible for alerting the Audit Committee Chairman, and in the case where the Audit Committee Chairman faces a potential or actual conflict of interest, the Audit Committee Chairman shall advise the Chairman of the Board. In the event that the Audit Committee Chairman or the Chairman of the Board concurs that a potential or actual conflict of interest exists, an independent substitute Director shall be appointed as an Audit Committee member until the matter, posing the potential or actual conflict of interest, is resolved.

## **VI. REPORTS**

The Audit Committee will report regularly to the Board with respect to its activities and its recommendations. When presenting any recommendation or advice to the Board, the Audit Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Audit Committee will keep minutes of its meetings and will make such minutes available to the full Board for its review.

The Audit Committee shall report to shareholders in the Corporation's proxy statement for its annual meeting whether the Audit Committee has satisfied its responsibilities under this charter.

## **VII. AUTHORIZATIONS**

The Audit Committee is authorized to confer with Corporation management and other employees to the extent it may deem necessary or appropriate to fulfill its duties. The Audit Committee is authorized to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee also is authorized to seek outside legal or other advice to the extent it deems necessary or appropriate, and to determine the funding for such independent legal, accounting and other advisors.