

Audit Committee Policies and Practices

Hiring Employees and Former Employees of the Company's Independent Auditor

The Audit Committee has adopted the following policies regarding the hiring of employees or former employees of the Company's independent auditor:

1. The Company will not hire any person who (a) is or was employed by the Company's current outside auditor and (b) who participated in any capacity in the audit of the Company during the one-year period preceding the date of the initiation of the most recent audit:
 - a. as chief executive officer, controller, chief financial officer, chief accounting officer, or any other equivalent position, unless, in connection with such employment, the Audit Committee determines to engage a new outside audit firm;
 - b. to a senior level position in the Company's finance department or into another senior level position involving financial reporting, unless the Audit Committee is given prior notification of the Company's plans to hire such person; or
 - c. to a position in the Company's internal audit group.

Policy For Raising and Investigating Complaints or Concerns About Accounting or Auditing Matters

The Audit Committee has established the following procedures 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 the Company of concerns regarding questionable accounting or auditing matters.

1. Policy Objectives

- The objective of this policy is to provide a mechanism by which complaints and concerns regarding accounting, internal accounting controls or auditing matters may be raised and addressed without the fear or threat of retaliation.
- The Company desires and expects that its employees, directors, officers, contractors, sub-contractors, customers and creditors, and others doing business with it, will report any complaints or concerns they may have regarding accounting, internal accounting controls or auditing matters.

2. Procedures for Raising Complaints and Concerns

- Persons with complaints regarding accounting, internal accounting controls or auditing matters or concerns regarding questionable accounting or auditing matters may submit such complaints or concerns to the attention of the Company's Chief Executive Officer, Chief Financial Officer or General Counsel using any of the following procedures:
 - A. By sending a letter or other writing to the Company's principal executive offices;
 - B. By telephone; or
 - C. By e-mail.
- Complaints and concerns may be made anonymously to any of the above individuals. In addition, any complaints or concerns may also be communicated anonymously, directly to any member of the Audit Committee of the Board of Directors.

3. Procedures for Investigating and Resolving Complaints and Concerns

- All complaints and concerns received will be forwarded to the Audit Committee of the Board of Directors, unless they are determined to be without merit by both the General Counsel and CFO of the Company. In any event, a record of all complaints and concerns received will be provided to the Audit Committee each fiscal quarter.
- The Audit Committee will evaluate any complaints or concerns received (including those reported to the committee

on a quarterly basis and which the General Counsel and CFO have previously determined to be without merit). If the Audit Committee requires additional information to evaluate any complaint or concern, it may conduct an investigation, including interviews of persons believed to have relevant information. The Audit Committee may, in its discretion, assume responsibility for directing or conducting any investigation or may delegate such responsibility to another person or entity.

- After its evaluation of the complaint or concern, the Audit Committee will authorize such follow-up actions, if any, as deemed necessary and appropriate to address the substance of the complaint or concern. The Company reserves the right to take whatever action it believes appropriate, up to and including discharge of any employee deemed to have engaged in improper conduct.
- Regardless of whether a complaint or concern is submitted anonymously, the Company will strive to keep all complaints and concerns and the identity of those who submit them and participate in any investigation as confidential as possible, limiting disclosure to those with a business need to know.
- The Company will not penalize or retaliate against any person or entity for reporting a complaint or concern, unless it is determined that the complaint or concern was made with knowledge that it was false. The Company will not tolerate retaliation against any person or entity for submitting, or for cooperating in the investigation of, a complaint or concern. Moreover, any such retaliation is unlawful and may result in criminal action. Any retaliation will warrant disciplinary action against the offending party, up to and including termination of employment.
- The Company shall retain records of all complaints and concerns received, and the disposition thereof, for five years.

4. Education of Employees Regarding Procedures

- The Company shall reflect this policy as part of the Company's Code of Business Conduct and Ethics.

Procedure for pre-approving non-audit fees

The Company shall not engage its auditor or any other external accounting firm to perform any non-audit service unless the service is approved in advance by the Audit Committee or by the Chairman of the Audit Committee. Any action by the Chairman of the Audit Committee to pre-approve a non-audit service shall be presented to the full Audit Committee at the next following meeting of the full Audit Committee. However, no pre-approval shall be required with respect to the provision of a non-audit service if:

- the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total amount of revenues provided by the Company to the auditor during the fiscal year in which the non-audit services are provided;
- such services were not recognized by the Company at the time of the engagement to be non-audit services; and
- such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or the Chairman of the Audit Committee.

Structure and Membership

In order to confirm that the membership of the Audit Committee satisfies membership requirements, the Audit Committee shall make inquiries of its members as follows:

- Monitor the Audit Committee's members throughout the year to confirm that they all remain independent as required by The Nasdaq Stock Market rules (and in connection with this process the Audit Committee shall consult with counsel regarding the definition of "independence").
- Consider whether any members of the Audit Committee have relationships with the Company that may create the appearance of a lack of independence, even though such relationships do not technically disqualify the person from being "independent".

Oversight of and Communications with Independent Auditors

The Audit Committee has established the following procedures with respect to its oversight of the independent auditor:

- Present the Audit Committee's conclusions with respect to the independent auditor to the full Board of Directors.
- Review and evaluate the lead partner and other senior members of the independent auditor.
- Take into account the opinions of management and the Company's internal auditors.
- Review with the independent auditor:
 - – audit problems or difficulties the independent auditor encountered in the course of the audit work and management's response, including any restrictions on the scope of the independent auditor's activities or on

- – access to requested information and any significant disagreements with management;
- – major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
- – 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 alternative GAAP methods on the financial statements; and
- – the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company.
- In connection with its oversight role, the Audit Committee should also review with the independent auditors, from time to time as appropriate:
 - – significant risks and uncertainties with respect to the quality, accuracy or fairness of presentation of the Company's financial statements;
 - – recently disclosed problems with respect to the quality, accuracy or fairness of presentation of the financial statements of companies similarly situated to the Company and recommended actions which might be taken to prevent or mitigate the risk of problems at the Company arising from such matters;
 - – any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise);
 - – any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement;
 - – accounting for unusual transactions; and
 - – any recent SEC comments on the Company's SEC reports, including in particular any unresolved or future-compliance comments.
- Inquire of the independent auditor concerning the quality, not just the acceptability, of the Company's accounting determinations, particularly with respect to revenue, earnings, significant items subject to estimate, and other judgmental areas. Ask the independent auditor whether management's choices of accounting principles are, as a whole, conservative, moderate or aggressive; to provide significant examples of choices falling into each category; and to recommend whether any of such policies should be changed. Ask the independent auditor whether they would have prepared the Company's financial statements differently if they were solely responsible.
- Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- Inform the independent auditor, Company management (including the Chief Financial Officer and Controller) and the head of internal auditing or other individual or firm performing such function that they should promptly contact the Audit Committee or its Chair about any significant issue or disagreement concerning the Company's accounting practices or financial statements that is not resolved to their satisfaction. If the Chair is contacted about such an issue, he or she will discuss it with other members of the Audit Committee no later than the next scheduled meeting of the Committee.
- Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated (Section 10A(b) of the Exchange Act requires the independent auditor, if it detects or becomes aware of any illegal act, to assure that the Audit Committee is adequately informed and to provide a report if the independent auditor has reached specific conclusions with respect to such illegal acts).
- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

Controls and Procedures

The Audit Committee has established the following procedures with respect to its controls and procedures:

- Review the reports on internal accounting controls contemplated by Sections 103 and 404 of the Sarbanes-Oxley Act.
- Obtain reports (which may be oral) from management, the Company's senior internal auditing executive or other individual or firm performing such function and the independent auditor (if the independent auditor has reviewed any such matter) that the Company is in conformity with applicable legal requirements and the Company's code of conduct.
- Direct management that the Company's senior internal auditing executive or other individual or firm performing such function shall report directly to the Audit Committee. Such executive or other individual or firm shall meet with the Audit Committee face to face not less often than once every six months.
- Review reports and disclosures of insider and affiliated party transactions.
- Discuss with the Company's General Counsel, and, where appropriate, outside counsel, legal matters that may have a material impact on the financial statements or the Company's compliance policies.
- Review any unusual accounting issues that the Company intends to discuss with the SEC's accounting staff.
- Discuss with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures.

Procedures and Administration

The Audit Committee will consider whether there are any continuing education programs, whether conducted by management,

the independent auditor or a third party organization, that members of the Audit Committee would benefit from attending.