



*Effective Date 12/22/03*

## **Finance and Audit Committee Practices**

The Finance and Audit Committee has adopted the following key practices to assist it in undertaking the functions and responsibilities set forth in its charter:

**Meetings.** The Committee will meet at least four times a year. Additional meetings may occur as the Board of Directors, the Committee or its chair deem advisable.

**Review of Financial Statements.** The Committee will meet with the Company's Chief Financial Officer and independent auditor to review the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q prior to filing. On an annual basis, the Committee will also review the process for CEO and CFO quarterly certifications required by the SEC with respect to the Company's financial statements, disclosures and internal controls. Based on its review of the 10-K, the Committee will advise the board of directors whether it recommends that the audited financial statements be included in the 10-K.

**Review of Internal Controls.** The Committee will, at least annually, and more frequently as the Committee deems necessary, review with management and the independent auditors the adequacy and effectiveness of the Company's system of internal controls, including any significant deficiencies noted and any significant changes.

**Review of Accounting Principles.** The Committee will, at least annually, and more frequently as the Committee deems appropriate in connection with its review of the Company's financial statements, review with management and the independent auditor the Company's accounting standards and principles, including significant changes in accounting practices, key accounting decisions affecting the Company's financial statements, and current accounting trends and developments applicable to the Company's business.

**Review of Communications.** The Committee will review all material written communications between the independent auditor and management and resolve any unresolved disagreements between the Company's independent auditor and management regarding the Company's financial reporting, accounting and related disclosures.

**Non-audit Related Services.** In addition to approving the engagement of the independent auditor to audit the Company's financial statements, the Committee will approve all use of the independent auditor for non-audit services prior to any such engagement. The Committee will not approve the engagement of the independent auditor to perform any services that the independent auditor would be prohibited from providing under applicable securities laws or Nasdaq requirements. In assessing whether to approve use of the independent auditor for permitted non-audit services, the Committee will try to minimize relationships that could appear to impair the objectivity of the independent auditor. The Committee will approve permitted non-audit services by the Company's independent auditor only when it will be more effective or economical to have such services provided by the independent auditor's firm. The Committee has delegated pre-approval authority for non-audit services to the Chair of the Committee within the guidelines discussed in this section. The Chair will inform the Committee of each decision at the next regularly scheduled Committee meeting following the decision.

**Hiring Guidelines for Independent Auditor.** The Committee has adopted the following practices regarding the hiring by the Company of any accountant or other professional who worked for the Company's independent auditor. The practices are intended to safeguard the independence of the independent auditor in performing audits of the Company's financial statements.

- The Company should not proactively initiate any discussions with an accountant or other professional working for the Company's independent auditor regarding a position at the Company.
- Even if contact is not initiated by the Company, the Company should not hire any accountant or other professional who is, or has, in the past three (3) years, been in a key decision-making role with respect to assurance services provided by the independent auditor related to the Company's engagement.
- Any job candidate who is an accountant or other professional with the independent auditor should not be hired into a position in the Finance department that gives such person the sole authority to engage or recommend that the Committee engage the independent auditor for any future consulting or assurance services.
- Any job candidate who is an accountant or other professional with the independent auditor must abide by independent auditor's internal policy

on staff recruitment by clients. Specifically, the candidate must notify the engagement partner (audit or tax) of potential employment with the Company concurrent with the commencement of discussions.

- Prior to beginning the new position with the Company, a job candidate who is or was an accountant or other professional with the independent auditor must no longer have a financial relationship with the independent auditor other than one providing for the regular payment of a fixed dollar amount pursuant to a fully funded retirement plan (or a similar vehicle).
- The potential hiring of any person who is or was an accountant or other professional with the independent auditor must be cleared with the Committee prior to making an offer of employment to the candidate.

**Process for Handling Complaints about Accounting Matters.** The Committee has established the following procedures for submission and handling of complaints or concerns about the Company's accounting, internal accounting controls or other financial or auditing matters:

- The Company has established on its external website a special e-mail address and other contact information by which anyone with information regarding accounting, internal controls or other financial or auditing matters or other compliance concerns or concerns about the Company's conduct can submit complaints to the Board. All complaints received at this e-mail address related to accounting, internal accounting controls or other financial or auditing matters will be automatically sent to the Chair of the Committee. Reports may be submitted anonymously.
- The Company's Code of Business Conduct also provides contact information for complaints about possible violations, including the names of the members of the Corporate Compliance Committee and information regarding the Company's corporate compliance help-line and internal electronic submission system for confidential and anonymous complaints by employees regarding any violation or suspected violation of the Company's Code of Business Conduct.
- All complaints received by any of means described above will be processed and handled by the Company's Legal and Finance staffs under the oversight of the Corporate Compliance Committee unless the Finance

and Audit Committee or its Chair directs the Company to retain outside counsel or other advisors.

- The Committee will review, as frequently as the Committee may determine, the status of compliance activities, including investigations related to the Company's accounting, internal accounting controls or other financial or auditing matters.
- The Company's Code of Business Conduct prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve any compliance concern.

**Review of Performance of Independent Auditors.** The Committee will review, at least annually, the performance of the Company's independent auditor, including the lead partner of the independent auditor, and will confirm that the process for determining audit partner compensation is consistent with applicable legal, regulatory and Nasdaq requirements.

**Audit Partner Rotation.** The Committee will ensure that the lead audit partners assigned to the Company by the Company's independent auditor will be changed at least every five years.

**Related Party Transactions.** The Committee will review all proposed transactions or course of dealings between the Company and parties related to the Company (including all transactions required to be disclosed by Item 404(a) of Regulation S-K.)

**Shareholder Ratification.** Although the Committee has the sole authority to appoint the independent auditor, the Committee will ask the shareholders each year to ratify the selection. If the shareholders do not ratify the Committee's selection, the Committee will reconsider its choice.

**Meeting with Counsel.** The Committee will meet periodically with the general counsel and outside counsel when appropriate to review legal and regulatory matters, including (i) any matters that may have material impact on the financial statements of the Company, (ii) adherence to standards of business conduct as required in the policies of the Company and (iii) any matters involving potential or ongoing material violations of law or breach of fiduciary duty by the Company or any of its directors, officers, employees or agents. The Committee will perform such additional activities and consider such other matters, within the scope of its responsibilities as the Committee or the board deems necessary or appropriate.



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