

LSI INDUSTRIES INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

As Revised Effective July 1, 2013

I. PURPOSE

The Board of Directors has established this Audit Committee Charter to specify the functions and authority of the Audit Committee. The Committee's primary purpose is to assist the Board in its oversight of the accounting and financial reporting processes of the Company and the audit of its financial statements, including the oversight of management's identification and management of business and financial risk.¹ The Committee also provides assistance to the Board by performing the other functions outlined in this Charter.²

The Committee shall:

- Be directly responsible for the appointment,³ compensation, retention and oversight of the work of any registered public accounting firm engaged to prepare an audit report or to perform other audit, review or attestation services for the Company (the "Independent Auditor" or "firm").⁴
- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Review and appraise the audit efforts of the Independent Auditor and internal auditor.
- Provide an open avenue of communication among the Independent Auditor, financial and senior management, internal auditor, and the Board of Directors.
- Engage on its own authority and at the expense of the Company, independent counsel and other advisors as deemed necessary by the Committee to assist it in satisfying the duties and responsibilities set forth in this Charter and incur, at the expense of the Company, ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

¹ As the Board established the Committee to assist in fulfilling its oversight responsibilities, the Committee functions and reports to the Board accordingly. See also Amended and Restated Code of Regulations Article III, Section 6(a).

² As the Board established the Committee to assist in fulfilling its oversight responsibilities, the Committee functions and reports to the Board accordingly. See also Amended and Restated Code of Regulations Article III, Section 6(a).

³ Securities Exchange Act of 1934 Rule 10A-3(b)(2).

⁴ LSI proxy materials and auditors themselves use the term "registered public accounting firm." See also Securities Exchange Act of 1934 Rule 10A-3(b)(2).

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II. COMPOSITION

The Audit Committee shall be comprised of three or more directors each of whom shall meet the independence and financial literacy requirements of applicable stock exchange or other listing standards⁵ and Section 10A of the Securities Exchange Act of 1934. At least one member shall be an “audit committee financial expert”⁶ as defined under United States Securities and Exchange Commission rules and regulations. No Committee member shall serve on the audit committees of more than two other public companies while at the same time serving on this Committee, unless the Board specifically determines that such service would not impair the ability of an existing or prospective Committee member to serve effectively on the Committee.⁷

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and serve until their successors shall be duly elected and qualified. Unless a Chair is elected by the Board, the members of the Committee shall designate a Chair.

III. MEETINGS

The Committee shall meet at least four times annually, and more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management, the internal auditor, the chief financial officer and the Independent Auditor in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed independently. In addition, the Committee or at least the Chair should meet with the Independent Auditor and management quarterly to review the Company's financial statements and disclosures prior to the quarterly reports being filed with the Securities and Exchange Commission. The Committee shall maintain minutes of its meetings and activities.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and update this Charter annually.
2. Review the Company's annual financial statements, press releases, and any reports or other financial information submitted to the Securities and Exchange Commission or to the public, including any certification, report, opinion, or review rendered by the Independent Auditor. Drafts of these items should be provided to the Committee at least 24 hours before release.⁸

⁵ Language expanded to accommodate Nasdaq name changes.

⁶ Regulation S-K Item 407(d)(5).

⁷ Recommended. Certain institutional investors consider “overboarding” in connection with withholding votes for directors.

⁸ Where Committee approval is advisable or required, the information should be in draft format.

Independent Certified Public Accountants

3. Maintain a clear understanding with the Independent Auditor that it is ultimately accountable to the Committee, as representatives of this Company's shareholders. As such, the Committee has the ultimate authority to select, evaluate, compensate and, where appropriate, replace the Independent Auditor, and such Independent Auditor must report directly to the Committee.⁹
4. On an annual basis, ensure the receipt from the Independent Auditor of its formal written disclosure regarding independence between such firm and the Company, prior to entering into an engagement with the Independent Auditor.¹⁰ The Committee shall actively engage in dialogue with the firm with respect to any undisclosed relationships or services that may impact the objectivity and independence of the firm, and take, or recommend that the Board take, appropriate action to oversee the independence of the firm.¹¹
5. Review the most recent report of the Public Company Accounting Oversight Board of its examination of the Independent Auditor.
6. Ensure that the lead audit partner of the Independent Auditor and the audit partner responsible for reviewing the audit are rotated at least every five years or as required by applicable law or regulation.¹²
7. Pre-approve all audit and non-audit services and their accompanying fees to be performed by the Independent Auditor. The Committee may delegate this function to a Committee member between meetings with a reporting obligation to the full Committee. The Independent Auditor shall not perform any services prohibited by applicable law or regulation.¹³
8. Ensure disclosure in the Company's periodic reports filed with the Securities and Exchange Commission, of any non-audit services approved to be performed by the Independent Auditor.
9. Determine whether the provision of non-audit services by the Independent Auditor is compatible with maintaining its independence.
10. Periodically consult with the Independent Auditor outside of the presence of management about internal controls, the fullness and accuracy of the Company's financial statements, and the adequacy/capability of financial staff given the business and changes in operations.

⁹ Securities Exchange Act of 1934 Section 10A(m)(2).

¹⁰ Nasdaq Listing Rule 5605(c)(1)(B).

¹¹ Nasdaq Listing Rule 5605(c)(1)(B).

¹² Regulation S-X Section 2-01(c)(6).

¹³ Regulation S-X Section 2-01(c)(4).

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11. Review with the Independent Auditor and the internal auditor efforts related to the coordination of audit work to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
12. Discuss with the Independent Auditor matters required to be discussed pursuant to SAS No. 114 and PCAOB Auditing Standard No. 5 relating to the conduct of the audit.¹⁴

Internal Audit

13. Review and approve internal audit's charter, budget and staffing plans.
14. Review internal audit's annual risk assessment and audit plans, including significant changes in plan scope and internal audit coverage.
15. Receive and discuss periodic reports of significant internal audit findings and follow-up actions.
16. Periodically assess the effectiveness of the Company's internal audit function and its compliance with the Institute of Internal Audit (II) Standards for the Practice of Internal Auditing.
17. Periodically review the internal audit function and recommend any changes in the internal audit position.

Financial Reporting Processes

18. Meet with the Independent Auditor and the appropriate Company financial staff to approve the plan and the scope of each audit prior to commencement of each audit process.
19. In consultation with the Independent Auditor and the internal auditor review the integrity of the Company's financial reporting processes, both internal and external.
20. Consider the Independent Auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
21. Advise financial management and the Independent Auditor that they are expected to provide a timely analysis of significant current financial reporting issues and practices. Consider and approve, if appropriate, major changes to the Company's auditing and

¹⁴ SAS No. 114 and PCAOB Auditing Standard No. 5, and any additional or modified similar standards, require or may require an independent auditor to communicate to the Audit Committee matters of significance related to the conduct of the audit, including the auditor's responsibilities under generally accepted auditing standards, the planned scope and timing of the audit and significant findings from the audit, including, but not limited to, the selection of and changes in accounting policies, the methods used to account for unusual transactions, the effect of accounting policies in controversial or emerging areas, the process used by management in formulating accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates, adjustments arising from the audit, disagreements with management over the application of accounting principles, the basis for management's accounting estimates, the disclosures in the financial statements, and the auditor's findings related to its audit of internal controls over financial reporting. See also Regulation S-X Section 2-07.

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accounting principles and practices as suggested by the Independent Auditor, management, or internal auditor.

22. Continue the process of reporting to the Committee by each of management and the Independent Auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
23. Discuss with management, internal auditors and the Independent Auditor the Company's risk assessment and management policies and procedures relating to the financial statements and the financial reporting process and conduct an inquiry of management, internal auditors and the Independent Auditor regarding any significant business or financial risks and exposures.
24. Oversee risks and exposures relating to the financial statements and the financial reporting process and the Company's policies and procedures for monitoring and mitigating such risks and exposures.
25. Review, at least annually, a report from the Independent Auditor regarding any material risk areas, critical accounting policies and practices, alternative treatments with financial information within GAAP discussed with management, ramifications of the use of alternative disclosures, the treatment preferred by the Independent Auditor in each instance, management letters and other communications.
26. Review on a continuing basis the Company's compliance with the Foreign Corrupt Practices Act of 1977, the conflict minerals provisions of the Dodd Frank Act of 2010 and the Trading with the Enemy Act of 1917.¹⁵

Process Improvement

27. Following completion of the annual audit, review separately with each of management and the Independent Auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
28. Resolve any disagreement among management and the Independent Auditor in connection with the preparation of the financial statements.
29. Consider and review with the Independent Auditor and the internal auditor:
 - a) The adequacy of the Company's internal controls including computerized information system controls and security.
 - b) Related findings and recommendations of the Independent Auditor and the coordinator of any internal audit efforts together with management's responses.

¹⁵ Recommended generally in connection with increased role of the Committee in corporate compliances issues since the Sarbanes-Oxley Act of 2002.

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30. Review with the Independent Auditor, the internal auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time after implementation of changes or improvements, as decided by the Committee. Review specifically all repeat audit points and recommendations not implemented from prior audits.

Employee Concern Procedures

31. Establish and maintain procedures for the receipt, retention and treatment of complaints¹⁶ received by the Company from employees or others regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
32. Conduct as required by applicable law or regulation or in the discretion of the Committee a self-evaluation of the performance of the Committee.¹⁷

Related-Party Transactions

33. Review and approve, on an ongoing basis,¹⁸ all related-party transactions. A related party transaction is one which the Company would be required to disclose pursuant to Regulation S-K Item 404.

Ethical and Legal Compliance

34. Keep current the Company's Code of Ethics and Conduct and work to ensure that management maintains a system to enforce this Code.
35. Review management's monitoring of the Company's compliance with its Code of Ethics and Conduct and ensure that management has the proper review system in place to insure that the Company's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
36. Review with the Company's counsel, legal compliance matters including, without limitation, corporate securities trading.
37. Review with the Company's counsel, any legal or regulatory matter that could have a significant impact on the Company's financial statements.
38. Perform any other activities consistent with this Charter, the Company's Articles of Incorporation and Amended and Restated Code of Regulations and governing law, as the Committee or the Board deems necessary or appropriate.

¹⁶ Term specified by Securities Exchange Act of 1934 Rule 10A-3(b)(3).

¹⁷ PCAOB Auditing Standard No. 5 requires the Independent Auditor to evaluate the effectiveness of the Committee's oversight of the Company's external financial reporting and internal control over financial reporting. Since the Independent Auditor is required to evaluate the Committee's effectiveness, the Committee may be well advised to do so itself.

¹⁸ Nasdaq Listing Rule 5630(a).

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39. Recommend to the Company whether the audited financial statements should be included in the annual Form 10-K report for submission to the Securities and Exchange Commission.
40. Prepare the report required by Item 407(d)(3)(i) of Regulation S-K to be included in the Company's proxy materials for its annual shareholders meeting.¹⁹
41. Review the processes utilized by management in presenting certifications to the Securities and Exchange Commission concerning the financial statements.
42. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets and requests from the independent accountants as to all loans or extensions of credit by the Company to its officers.
43. Set clear hiring policies for employees or former employees of the Independent Auditor that meet requirements of the federal securities laws and any applicable stock exchange and other listing standards.²⁰

V. EFFECTIVE DATE

The effective date of this revised Audit Committee Charter is July 1, 2013. This charter may be amended from time to time by the LSI Industries Inc. Board of Directors.

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¹⁹ Regulation S-K Item 407(d)(3)(i).

²⁰ Recommended as consistent with Regulation S-X Section 2-01.