



## **SERVIDYNE, INC.**

### **AUDIT COMMITTEE CHARTER**

#### **I. Purpose and Authority**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise: (1) the integrity of the Company's financial statements and other external financial information, financial reporting process and internal controls; (2) the Company's auditing process, including all engagements of the Company's independent accountants, the internal auditors and the performance of financial management; and (3) the Company's ethical and legal compliance. In furtherance of its purpose, the Committee shall strive to provide an open avenue of communication among the Company's independent accountants, internal auditors, management, and the Board.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The Company shall provide funding, as determined by the Committee, for payment of compensation to the independent auditors and to any advisers the Committee retains.

#### **II. Membership Requirements**

The Committee shall be comprised of three or more directors as determined by the Board. All members of the Committee shall be "independent" within the meaning of the listing standards of the Nasdaq Stock Market, including the independence standards for Committee members prescribed by Rule 10A-3 under the Securities Exchange Act. All members of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. At least one member shall be an 'audit committee financial expert' within the meaning of the rules of the Securities & Exchange Commission. Members of the Committee shall also meet such other qualifications as may be imposed from time to time by the Board, by law or by the listing requirements of the Nasdaq Stock Market. Committee members should be able to devote sufficient time to carrying out the responsibilities of a member of the Committee.

#### **III. Meetings and Governance**

The Committee shall meet in connection with the Company's annual audit and for other purposes as circumstances dictate. To foster open communications, the Committee will meet in executive sessions with the independent accountants, internal auditors and management as appropriate. The Committee will report its activities and findings to the Board on a regular basis.

The Board may appoint a Chair of the Committee. The Chair will preside, when present, at all meetings of the Committee. One-third of the members, but not less than two, will constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or video conference and may take action by written consent.

#### **IV. Duties, Responsibilities and Activities**

While the Committee has the duties and responsibilities set forth in this Charter, management has primary responsibility for the financial statements and the reporting process, including the systems of internal controls and management's report thereon; and the Company's independent accountants are responsible for performing an audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States, for expressing an opinion as to their conformity with generally accepted accounting principles, for reviewing the Company's quarterly financial statements and for attesting to management's report on the Company's internal control. The Committee's responsibility is to monitor and oversee these processes.

##### **(A) Review of Financial Statements, Reports and Charter**

The Committee shall review the Company's financial statements, reports and other financial information, in conjunction with the Company's internal financial management and independent accountants, as appropriate. Such review shall generally include candid discussions of the quality—not merely the acceptability—of the Company's accounting principles as applied in its financial reporting. Reviews shall generally occur prior to dissemination of the statement, report or other document to a third party or the public. Without limitation, the Committee shall review, to the extent it deems necessary or appropriate:

- The annual financial statements and other material financial content of the Company's Annual Reports to Shareholders and/or Annual Reports on Form 10-K.
- Any quarterly or other interim financial statements and other material financial content of the Company's Quarterly Reports on Form 10-Q.
- Any other material external financial information, such as earnings releases.
- Any material internal reports prepared by the independent accountants, internal auditors or management.
- The annual Report of the Committee for inclusion in the Company's annual proxy statement.
- This Charter on an annual basis, or more frequently as circumstances dictate.

The Chair or another member of the Committee may represent the entire Committee for purposes of reviewing quarterly information, other material external financial information such as earnings releases, or internal reports to the extent permissible under the listing requirements of the Nasdaq Stock Market and generally accepted auditing standards.

In addition to the reviews described above, the Committee shall from time to time perform the following duties and responsibilities and shall engage in the following activities to the extent necessary or appropriate in the judgment of the Committee:

(B) Relationship with Independent Accountants and Internal Auditors

- Appoint, compensate, retain, and terminate the independent accountants. The independent accountants shall report directly to the Committee. The Committee shall have sole authority to determine the compensation to be paid to the independent accountants for any service. The Committee also shall be responsible for the oversight and evaluation of the work of the independent accountants, including resolution of disagreements between management and the independent accountants.
- Pre-approve all audit and permitted non-audit services provided to the Company by the independent accountants. The Committee may delegate pre-approval authority to a member or members of the Committee or may adopt pre-approval policies and procedures, to the extent permitted by applicable laws. Any pre-approvals made pursuant to delegated authority or pre-approval policies and procedures must be presented to the full Committee at its next scheduled meeting.
- Receive a report or report update from the independent accountants, within the time periods prescribed by the rules of the Securities & Exchange Commission, on: all critical accounting policies and practices of the Company; all material alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants; and other material written communications between the independent accountants and management.
- Receive a formal written statement from the independent accountants delineating all relationships between the independent accountants and the Company. The Committee shall actively engage the independent accountants in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and take appropriate action to oversee the independence of the independent accountants.
- Oversee the objectives, activities and staffing of the internal auditors.

(C) Financial Reporting and Auditing Processes

- Oversee the integrity of the Company's financial reporting process, both internal and external.
- Discuss with the independent accountants, internal auditors and management the overall scope and plans for their respective audits.
- Review with the independent accountants, the internal auditors and management the adequacy and effectiveness of the Company's internal controls, including management's report on the adequacy or effectiveness of internal controls and the fullness and accuracy of the Company's financial statements. The Committee shall consider the quality of presentation of, among other matters, critical accounting policies, off-balance sheet transactions and financial measures presented on a basis other than in accordance with generally accepted accounting principles.
- Review the quality and appropriateness of the Company's accounting principles and underlying estimates as applied in its financial reporting, including the independent accountants' judgments concerning the foregoing.
- In consultation with the independent accountants, management and the internal auditors, review any major changes or improvements to the Company's financial and accounting principles and practices and internal controls.
- Discuss with management policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(D) Ethical and Legal Compliance

- Establish and oversee 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.
- Review and approve all transactions to which the Company is a party and in which any director and executive officer has a direct or indirect material interest, apart from in their capacity as director or executive officer.
- Oversee the development and administration of an appropriate ethics and compliance program, including a code or codes of ethics and business conduct.

In addition, the Committee may perform any other activities in its discretion that are consistent with the Committee's purpose, or as determined necessary or appropriate by the Board.