

## **AUDIT COMMITTEE CHARTER OF LIFESTORE FINANCIAL GROUP AND SUBSIDIARIES**

### **PURPOSE**

To assist the board of directors in fulfilling its oversight responsibilities for the accounting and financial reporting process, the system of internal control and risk assessment, the internal and external audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

### **AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any external accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

### **COMPOSITION**

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. An "independent" director is defined as an individual who meets the Nasdaq Stock Market's definition of independent director and does not own, or control 10% or more of LifeStore Financial Group's voting stock (or such lower measurement as may be established by the SEC). At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

### **MEETINGS**

The committee will meet as often as it determines is appropriate, but not less frequently than quarterly. All committee members are expected to attend each meeting, in person or via tele-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

## **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.

### Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Review the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### Internal Audit

- Review with management and the Internal Auditor the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan, including outsourced internal audits, and all major changes to the plan. Outsourced internal audits may include, but not limited to IT, regulatory compliance, and credit risk.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
- Review significant reports to management prepared by internal audit, or outsourced internal audits, and management's responses.
- At least once per year, review the performance of the Internal Auditor and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function including any outsourced internal audit and compliance work.
- On a regular basis, meet separately with the Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

## External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- Consult at least once per year with the external auditor regarding the fair presentation of the Bank's financial statements, updates in developments affecting the Bank's external financial reporting, the status of the Bank's internal control environment, the effectiveness of management's identification and management of risk, independence of the external auditor, and certain other matters required under generally accepted auditing standards.
- Meet at least once per year with the external auditor, in executive session, without management present.

## Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, or other matters and the confidential, anonymous submission by employees of their concerns.

## Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.

## Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

- Periodically review the Committee's own performance.

#### Scope of Responsibility

- The Committee has the authority and responsibilities set forth in this Charter. It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.
- In discharging his or her duties, each member of the Committee is entitled to rely on information, opinions, reports and statements, including financial statements and other financial data prepared or presented by officers, employees, legal counsel, accountants, and other persons.
- It's not the duty of the Committee to conduct investigations or to ensure compliance with laws and regulations.
- The duties and responsibilities of a member of the Committee are in addition to those duties applicable to members of the Board.