



## **Audit Committee Charter**

The Purpose of the Audit Committee (the "Committee") shall be as follows:

1. To oversee the accounting and financial reporting processes of the Company and audit of the financial statements of the Company.
2. To provide assistance to the Board of Directors with respect to its oversight of:
  - (a) The integrity of the Company's financial statements;
  - (b) The Company's compliance with legal and regulatory requirements;
  - (c) The independent auditor's qualifications and independence; and
  - (d) The performance of the Company's [internal audit function and] independent auditors.
3. To prepare the report that SEC rules require be included in the Company's annual proxy statement.

### **Composition**

The Committee shall consist of three or more members of the Board of Directors: (i) each of whom is determined by the Board of Directors to be "independent" under the rules of the NASDAQ Stock Market and the Sarbanes-Oxley Act, and (ii) each of the two "outside directors" under the Israeli Companies Law, shall be a member of the Committee. Exceptions shall be allowed under the rules and regulations of the NASDAQ Stock Market.

### **Qualifications**

All members of the Committee shall be able to read and understand fundamental financial statements and at least one member must be a "financial expert" under the requirements of the Sarbanes-Oxley Act.

### **Compensation**

No member of the Committee shall receive compensation other than (1) director's fees for service as a director of the Company including reasonable compensation for serving on the Committee and regular benefits that other directors receive; and (2) a pension or similar compensation is not conditioned on continued or future service to the Company.

### **Chairman**

Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.



### **Meetings**

The Committee shall meet as frequently as circumstances dictate.

### **Duties and Responsibilities**

The committee shall carry out the duties and responsibilities set forth below:

1. *Documents/Reports Review:* Discuss with management and the independent auditors prior to public dissemination the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "MD&A" and discuss with the independent auditors the matters required to be discussed.
2. *Independent Auditors:* Subject to shareholders and board approval, appoint, retain, compensate, evaluate and terminate any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Pre-approve all audit, audit relaxed tax and other services permitted by law or applicable SEC regulations services to be performed by the independent auditor for the Company.
3. *Financial Reporting Process:* In consultation with the independent auditors, management and the internal auditors review the integrity of the Company's financial reporting processes, both internal and external.
4. *Legal Compliance/General:* Review periodically with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements. Discuss with management and the independent auditors the Company's guidelines and policies with respect to risk assessment and risk management. Set clear hiring policies for employees of former employees of the independent auditors.
5. *Reports:* Review all reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC. Report regularly to the BOD. The Committee shall provide such recommendations, as the Committee may deem appropriate.

### **Limitations of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. It is also not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Company's internal policies procedures.

In addition, the Committee is committed to perform its duties under the Sarbanes-Oxley Act, NASDAQ Stock Market laws and regulations and the Israeli Companies



law.