

Committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify [the following]:

([i]a) The scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

([ii]b) The audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor; and

([iii]c) [the outside auditor's ultimate accountability to the board of directors and the audit committee, as representatives of shareholders, and these shareholder representatives' ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement)] *That the audit committee is vested with all responsibilities and authority required by Rule 10A-3 under the Securities Exchange Act of 1934.*

([b]2) Composition

([i]a) Each issuer must have, and certify that it has and will continue to have, an A[a]udit C[c]ommittee of at least three members, [comprised solely of independent directors] each of whom [is]:

(i) *Satisfies the independence standards specified in Section 121A and Rule 10A-3 under the Securities Exchange Act of 1934; and*

(ii) *Is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement [or will become able to do so within a reasonable period of time after his or her appointment to the audit committee]. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee [that] who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's*

financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, [or] other senior officer with financial oversight responsibilities, or an active participant on one or more public company audit committees.

([ii]b) Notwithstanding paragraph ([i]a), one director who is not independent as defined in Section 121A, *but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (see sub-paragraph (a)(i)), and is not a current officer or employee or an immediate family member of such person [employee], may be appointed to the A[a]udit C[c]ommittee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company[corporation] and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Audit Committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the Audit Committee.*

([iii]c) [Exception for] Small Business Filers—[Paragraphs (b)(i) and (b)(ii) do not apply to] [i]ssuers that file reports under SEC Regulation S-B[. Such issuers] *are subject to all requirements specified in this Section, except that such issuers are only required to maintain a Board of Directors comprised of at least 50% independent directors, [must establish] and [maintain] an Audit Committee of at least two [members, a majority of the members of which shall be] members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. See also Section 803.*

** * * Commentary*

.01 *"Immediate family member" includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home or is financially dependent upon such person.*

.02 *"Parent" or "subsidiary" includes entities that are consolidated with the issuer's financial statements.*

.03 *"Officer" shall have the meaning specified in Rule 16a-1(f) under the*

Securities Exchange Act of 1934, or any successor rule.

.04 *"Executive Officer" shall have the meaning specified in Rule 3b-7 under the Securities Exchange Act of 1934, or any successor rule.*

.05 *Foreign companies are permitted to follow home country practice in lieu of the audit committee requirements specified in this Section and in accordance with the provisions of Section 110, except that such companies must comply with Rule 10A-3 under the Securities Exchange Act of 1934.*

Sec. 401, Outline of Exchange Disclosure Policies

The Exchange considers that the conduct of a fair and orderly market requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following [seven] *eight* specific policies concerning disclosure, each of which is more fully discussed (in a Question and Answer format) in § 402:

(a) through (g)—No change.

(h) Receipt of Audit Opinion with Going Concern Qualification—A company is required to publicly disclose that it has received an audit opinion that contains a going concern qualification. (See Section 610(b).)

Sec. 402, Explanation of Exchange Disclosure Policies

(a) Immediate Public Disclosure of Material Information

Q. What standard should be employed to determine whether disclosure should be made?

A. Immediate disclosure should be made of information about a company's affairs or about events or conditions in the market for its securities when either of the following standards are met:

(i) Where the information is likely to have a significant effect on the price of any of the company's securities; or

(ii) Where such information (including, in certain cases, any necessary interpretation by securities analysts or other experts) is likely to be considered important by a reasonable investor in determining a choice of action.

Q. What kinds of information about a company's affairs should be disclosed?

A. Any material information of a factual nature that bears on the value of a company's securities or on decisions as to whether or not to invest or trade in such securities should be disclosed.