

# GENESIS GROUP HOLDINGS, INC.

## Audit Committee Charter

Adopted November \_\_, 2012

### I. Purpose

The Audit Committee (“Committee”) of the Board of Directors (the “Board”) of Genesis Group Holdings, Inc. (the “Company”) shall represent and assist the Board with the oversight of:

- A.** the integrity of the Company’s financial statements, accounting and financial reporting processes and financial statement audits and internal controls;
- B.** the Company’s compliance with legal and regulatory requirements;
- C.** the performance of the Company’s internal audit function and the registered public accounting firm (the “independent auditors”); and
- D.** the independent auditors’ qualifications and independence.

### II. Committee Structure

- A. Membership.** The Committee will be comprised of three or more members of the Board, each of whom in the judgment of the Board qualifies as an “independent director” in accordance with the rules of the national securities exchange or over the counter trading system on which the Company’s common stock is traded (the “Listing Standards”) and applicable law. No member may have participated in the preparation of the financial statements of the Company or any subsidiary at any time during the past three years. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement. The Board shall endeavor to have at least one member of the Audit Committee that meets the definition of an “audit committee financial expert” as defined by the Securities and Exchange Commission (the “SEC”) and, if applicable, the Listing Standards. The Chairperson and members of the Committee shall be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee and may be removed by the Board at its discretion.
- B. Meetings; Agenda; Minutes.** The Committee shall meet at least four times annually. A special meeting may be called in accordance with the Company’s bylaws. The Chairperson, in consultation with the Committee members and management (if appropriate), will set the agenda for each meeting and, when practicable, circulate it to each member of the Committee prior to the meeting date. The Committee should meet regularly, in separate executive sessions, with the Company’s independent auditors to discuss any matters that the Committee

believes should be discussed, including the Company's financial statements and significant findings based upon the auditors' limited review procedures. The Committee shall also meet as often as it deems appropriate with members of management, including persons involved in the Company's internal audit function. Minutes of each Committee meeting or action will be kept and inserted in the Company's minute book.

- C. Funding.** The Company shall provide the Committee with such funding as the Committee reasonably decides is necessary for the engagement and retention of the Company's independent auditors and any advisors employed by the Committee, as well as for the performance of the Committee's other functions as detailed in this Charter.

### **III. Authority and Responsibilities**

- A. Authority.** The Committee shall have and may exercise authority on behalf of the Board with respect to assisting in the oversight of the following:
1. the integrity of the Company's financial statements, financial reporting process, internal audit function and systems of internal controls regarding finance and accounting;
  2. the Company's compliance with legal and regulatory requirements;
  3. the performance of the Company's internal audit function and of its independent auditors;
  4. the independent auditors' qualifications and independence; and
  5. the preparation of an Audit Committee Report for inclusion in the Company's Annual Proxy Statement in accordance with the rules and regulations of the SEC.
- B. Limits of Responsibilities.** The Committee's responsibilities are limited to oversight. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements. The Company's independent auditors are responsible for performing an audit of the Company's annual financial statements and expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles and reviewing the Company's quarterly financial statements. Each member of the Committee is entitled to rely on the accuracy of the financial and other information provided by persons within the Company, the independent auditors, and any professionals and experts engaged by the Committee to assist it in carrying out its duties.
- C. Independent Auditors.** It is the Committee's sole responsibility (provided that the Committee may designate one or more members of the Committee to pre-approve services by the Company's independent auditors in accordance with the Listing Standards and applicable law) to:

1. Select and retain the independent auditors (though the Board may determine to seek the ratification of such selection by the Company's stockholders), evaluate and terminate when appropriate the independent auditors, set the independent auditors' compensation, oversee the work of the independent auditors (including resolution of disagreements between management and any such firm regarding financial reporting), and pre-approve all audit services to be provided by the independent auditors. The independent auditor shall report directly to the Committee.
2. Pre-approve all permitted non-audit services to be performed by the independent auditors and establish policies and procedures for the engagement of the independent auditors to provide permitted audit and non-audit services.
3. At least annually, receive and review: (a) a report by the independent auditors describing the independent auditors' internal quality control procedures and any material issues raised by the most recent internal quality-control review, peer review, or Public Company Accounting Oversight Board review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (b) other required reports from the independent auditors.
4. At least annually, review the independence of the independent auditors, including whether the provision by the independent auditors of permitted non-audit services is compatible with independence, and obtain and review a written report from the independent auditors describing all relationships between the independent auditors and the Company. Discuss with the independent auditors any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and take, or recommend that the Board take, appropriate action to oversee the independence of the outside auditors.
5. Review with the independent auditors on a timely basis: (a) the scope and results of the audit; (b) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; (c) any questions, comments, or suggestions the auditors may have relating to the internal controls, and accounting practices and procedures, of the Company or its subsidiaries; and (d) any other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
6. Discuss, both internally and with the Company's independent auditors, any earnings information or any financial information or earnings guidance provided to analysts and rating agencies prior to the release of the information.

7. The Committee shall discuss certain matters required to be communicated to audit committees in accordance with AICPA Statement on Auditing Standards (“SAS”) 61, as amended or superseded.
8. Periodically consider the requirements to and benefits to the Company of the rotation of the independent auditors’ lead audit partner, reviewing audit partner and other audit partners, and consider the costs and benefits of switching to another firm of independent auditors.
9. Review analyses prepared by management and the independent auditors of significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including the selection, application, and disclosure of critical accounting policies and analyses of the effect of alternative financial and accounting assumptions, estimates, or methods on the Company’s financial statements.
10. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any actual or threatened in writing litigation that raise material issues regarding the Company’s financial statements, accounting policies, or audit procedures.
11. The Committee shall establish policies for the hiring of employees and former employees of the independent registered public accounting firm.

**D. Review Procedures.** In carrying out its duties, the Audit Committee shall:

1. Review the Company’s annual audited financial statements and related disclosure, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, prior to the release or filing of such information with the SEC. This review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments. Obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934. The Audit Committee shall recommend to the Board whether the audited financial statements should be included in the Company’s annual report on Form 10-K.
2. Review with financial management and the independent auditors the Company’s quarterly financial results prior to the release of earnings and/or the Company’s quarterly financial statements and related disclosure, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of such information with the SEC. The Committee shall discuss any significant changes to the Company’s accounting principles and any items required to be communicated by the independent auditors in accordance with SAS 61. The Committee Chairperson, or a Committee member designated by the Chairman, may represent the entire Committee for purposes of this review.

3. Review and approve all Company press releases containing financial information prior to issuance pursuant to the Company's press release approval matrix, as revised from time to time.
4. Review the integrity, adequacy, and effectiveness of the Company's financial reporting processes and accounting and financial controls. Discuss the critical accounting practices and policies with management, the independent auditors, the internal auditors, and appropriate financial and accounting personnel of the Company. Elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
5. Review significant findings and analyses prepared by the independent auditors and the internal auditors, together with management's responses to those findings or analyses.
6. Review information related to the finances and operations of the Company with the Chief Financial Officer and, if applicable, appropriate internal audit personnel of the Company in closed sessions on a regular basis.
7. Continue to maintain independent oversight of the Company's financial organization by ensuring that the Chief Financial Officer and internal audit function both have dual reporting obligations, requiring them to provide information related to the finances and operations of the Company both to the Chief Executive Officer and, independently, directly to the Committee in closed sessions on a regular basis.

**E. Internal Audit Function and Risk Management.**

1. The Committee shall review the internal audit charter (if any), budget, internal audit plan, changes in the internal audit plan, and activities of the Company's internal audit personnel, and, as deemed necessary or appropriate, assist in the coordination of such internal audit plans with the audit plans of the independent auditors.
2. The Committee shall review the qualifications, performance, and objectivity of the Company's internal audit personnel and shall advise in the appointment or replacement of such personnel.
3. The Committee shall review any significant reports prepared by the Company's internal audit personnel, together with management's response and follow-up to those reports.
4. The Committee shall discuss the Company's policies with respect to risk assessment and risk management periodically with management, the Company's internal audit personnel, and the independent auditors, as well as the Company's plans or processes to monitor, control, and minimize such risks and exposures.

5. The Committee shall, as it deems necessary or appropriate, receive reports from such persons as it deems appropriate (including the Company's outside legal counsel) with respect to any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
- F. Compliance Reports.** The Committee shall, as it deems necessary or appropriate, receive reports from management, the internal audit personnel of the Company, and the independent auditors that the Company and its subsidiaries and affiliated entities are in conformity with applicable accounting and legal requirements.
- G. Internal Controls.** The Committee will review any disclosures by the Company's officers during their certification process for the annual report on Form 10-K and quarterly reports on Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
- H. Related-Party Transactions.** The Committee shall conduct an appropriate review of all proposed related-party transactions (which term refers to transactions that would be required to be disclosed pursuant to Item 404 of SEC Regulation S-K). Management shall cause the Company not to enter into any new related-party transaction unless the Committee approves that transaction.
- I. Reporting Matters.** The Committee shall establish regular reporting to the Committee by each of (a) management, (b) the independent auditors, and (c) the internal audit personnel of the Company, regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments. The Committee shall report regularly to the Board with respect to its activities and make recommendations to the Board as appropriate.
- J. Report for Inclusion in SEC Filings.** The Committee shall prepare the annual Audit Committee Report to be included in the Company's annual report and/or proxy statement as required by the rules and regulations of the SEC.
- K. Code of Ethics and Waivers.** The Committee shall approve and monitor the compliance with the Company's Code of Ethics to the extent required by applicable law and/or the Listing Standards, which covers the conduct and ethical behavior of directors, officers, and employees, and approve in advance any amendment to the Code of Ethics to the extent required by applicable law and/or the Listing Standards or waivers of compliance thereof by directors, executive officers, and senior financial officers to the extent required by applicable law and/or the Listing Standards.
- L. Complaints.** The Committee shall establish procedures for:

1. the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  2. the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- M. Investigations.** The Committee shall investigate any matter brought to its attention within the scope of its duties. The Committee shall have the power to retain outside counsel or advisors for this purpose if, in its judgment, that is appropriate.
- N. Consultants and Advisors.** The Committee shall have the authority to retain and terminate any consultants, outside counsel, and other advisors as it deems appropriate to assist in carrying out its duties. The Committee shall have the sole authority to approve the fees and other retention terms of such consultants, counsels, or advisors.
- O. Access to Independent Auditors; Access to Management and Employees.** The Committee shall have full, unrestricted access to the independent auditors and to the Company's employees, internal audit personnel, and legal counsel as necessary to carry out its responsibilities.
- P. Annual Review.** The Committee is responsible for implementing the process for and conducting an annual self-evaluation of the Committee and its members. The Committee annually will review and assess the adequacy of this charter and recommend any proposed changes to the Board for approval.
- Q. Other Activities.** The Committee may perform any other activities consistent with this charter, the Company's bylaws and applicable laws and/or the Listing Standards that the Board or the Committee determines are necessary or appropriate.