

**Finger Lakes Regional Telecommunications Development Corporation**  
**Audit Committee Charter,**  
**Role and Responsibilities**

**PURPOSE**

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Finger Lakes Regional Telecommunications Development Corporation. (“FLRTDC”) shall be to assist in Board oversight of (1) the integrity of FLRTDC’s financial statements, (2) FLRTDC’s compliance with legal and regulatory requirements, (3) the independent auditors’ qualifications and independence, (4) the performance of FLRTDC’s independent auditor’s (the “Auditors”) and (5) FLRTDC’s Corporate Compliance function.

**POLICY**

The Committee’s function is one of oversight. FLRTDC’s management is responsible for preparing the FLRTDC’s financial statements and for developing and maintaining systems of internal accounting and financial controls, while the Auditors will assist the Committee and the Board in fulfilling their responsibilities for their review of these financial statements and internal controls. The Committee expects the Auditors to call to their attention any accounting, auditing, internal accounting control, regulatory or other related matters that they believe warrant consideration or action. The Committee recognizes that the financial management and the outside auditors have more knowledge and information about FLRTDC than do Committee members, consequently, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the FLRTDC’s financial statements or internal controls. The Committee will be established as a separate standing committee of the Board.

**PROCEDURES**

The Committee shall undertake the following activities in carrying out its oversight responsibilities:

**Independent Audit Responsibilities**

- 1) The Committee shall have the sole authority to directly appoint, retain, compensate, evaluate, and, where appropriate, replace the Auditors. The Auditors shall report directly to the Committee. The Committee must be directly responsible for oversight of the independent auditors, including resolution of disagreements between management and the Auditors.
- 2) Review and pre-approve all the audit services to be performed, including the Auditors’ engagement letter for the annual audit of FLRTDC in accordance with U.S. generally accepted auditing standards and the proposed fees in connection with such audit. Any additional services that management chooses to hire the independent auditors to perform must be approved individually by the Committee, prior to the independent auditors engagement, in accordance with FLRTDC policy. The authority for such pre-approval may be delegated to one or more members of the Committee. Additionally, the Committee can establish pre-approval policies and procedures with respect to the engagement of FLRTDC’s independent accountants for non-audit services. Such policies and procedures would allow management to engage FLRTDC’s independent accountants for non-audit services, provided the pre-approval policies and procedure are detailed as to the particular service and the Committee is informed of each service. Engagement letters with respect to the service to be performed, whether audit or non-audit, approved in accordance with the foregoing may be signed on behalf of the Committee by its Chairman and on behalf of FLRTDC by the Chief Financial Officer.
- 3) Examine and make recommendations, if any, with respect to the audit scope, plans for, and the results of, the annual audit conducted by the Auditors.

- 4) Receive and review periodic written reports from the Auditors regarding the Auditors' independence and discuss such report with the Auditor. The Committee shall review and discuss with the Auditors any relationships or services that may impact the objectivity and independence of the Auditors and take appropriate action in response to the Auditors' report to satisfy itself of the Auditors' independence. This review shall include an evaluation of the lead partner of the Auditors. The Committee shall consider the merits of having the lead audit partner rotated periodically and shall consider whether there should be periodic rotation of the Auditors. The Committee shall present its findings from this report to the Board.
- 5) The Committee shall establish clear policies with respect to the hiring of employees or former employees of the Auditors.
- 6) The Committee shall ensure that none of the individuals serving in the positions of chief executive officer or chief financial officer participated in any capacity in the audit of FLRTDC as an employee of the Auditors during the 1-year period preceding the date of initiation of any audit being performed by the Auditors.
- 7) Review with the Auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to communications with audit committees (SAS "61"), all alternative accounting treatments of financial information discussed with management and all material written communications with management.
- 8) Review with the Auditors any audit problems or difficulties and disagreements with management encountered in the course of the audit, management's response thereto and the related effects on audit scope and procedures. The Committee is responsible for resolving any disagreements between management and the Auditors or internal auditors regarding financial reporting.
- 9) Examine and review with the Auditors and FLRTDC's chief financial officer the comments and recommendations contained in the Auditor's management letter as presented to the Committee, and management's response to those reports, and advise the Board with respect thereto.

### **System of Internal Controls**

- 10) At least twice annually, the Committee shall meet with management and the Auditors. The Committee shall meet with the Auditors in Executive Session at least once each year.
- 11) Review with management and the Auditors the quality and adequacy of internal controls that could significantly affect FLRTDC's financial statements.
- 12) Discuss with management and the Auditors FLRTDC's major financial risk (fraud, errors and omissions) exposures, FLRTDC's policies with respect to risk assessment and risk management and the steps management has taken to monitor and control these exposures.

### **Financial Reporting Process and Financial Statements**

- 13) Discuss with management and the Auditors the quality and adequacy of FLRTDC's disclosure controls and procedures, and review disclosures made by FLRTDC's Chief Executive Officer and Chief Financial Officer in FLRTDC's annual report filed with New York State regarding compliance with its certification obligations (Form CHAR-497).
- 14) Review and discuss with management and the Auditors the annual audited financial statements, including the auditors discussion and analysis, changes in accounting policies and practices, financial reporting practices and significant reporting issues, critical accounting policies and significant estimates and judgments made in connection with the preparation of such audited financial statements.

- 15) Review with management and the Auditors the effect of regulatory enforcement and accounting policy initiatives on the FLRTDC's financial statements.

### **Compliance with Laws and Regulations**

- 16) Review with FLRTDC's legal counsel and auditors, matters that may have a material impact on the financial statements, FLRTDC's compliance policies and any material reports or inquiries received from regulators or government agencies.

### **Compliance with FLRTDC's Code of Ethics and Corporate Compliance Activities**

- 17) Ensure that FLRTDC's Code of Ethics is in writing and has been distributed to applicable FLRTDC employees, Directors and other individuals covered by its contents.
- 18) Review at least annually with FLRTDC's Compliance Officer the process for monitoring compliance with the ethics codes and obtain regular updates from management regarding compliance.
- 19) Establish and maintain a procedure for the receipt, retention, and treatment of complaints received by FLRTDC regarding accounting, internal accounting controls, or auditing matters. Additionally, establish and maintain procedures for the confidential, anonymous submission by employees of FLRTDC of concerns regarding questionable accounting or auditing matters.

### **Reporting and other Responsibilities**

- 20) Periodically review and reassess the adequacy of the Committee's purpose and responsibilities as herein set forth and recommend any proposed changes to the Board for approval.
- 21) The Committee has the authority, without having to seek Board approval, and appropriate funding to obtain advice and assistance, as appropriate, from outside legal, accounting and other advisers, as it deems necessary to carry out its duties.
- 22) The Committee shall perform, at least annually, an evaluation of its own performance, and submit that evaluation, including any recommended changes to the Committee's membership, charter, or procedures, to the Board for review and discussion.
- 23) The Chairman of the Committee shall report to the Board at each meeting of the Board the deliberations, actions, and recommendations of the Committee since the last Board meeting and such other matters as the Board shall from time to time specify.

### **COMPOSITION AND QUALIFICATIONS**

- 1) The Committee shall be comprised of three or more directors, the exact number to be determined from time to time by resolution of the Board. Each member of the Committee shall (1) be "independent" and (2) have such financial/accounting literacy or expertise. The Board of Directors shall, in the exercise of business judgment, determine the independence and financial expertise requirement of directors for this purpose. At least one member of the Committee must be the "audit committee financial expert." If not, the Board of FLRTDC will explain why it does not have an "audit committee financial expert."
- 2) No member of the Committee may receive, directly or indirectly, any compensation from the FLRTDC.

## **STRUCTURE AND OPERATION**

- 1) Three members of the Committee shall constitute a Quorum. The act of a majority of the members present at a meeting at which a quorum is present shall be the act of the Committee.
- 2) The Committee shall meet in person or telephonically at least twice a year.
- 3) The Committee may request that any directors, officers, or employees of FLRTDC, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.