

## **ST. BERNARD SOFTWARE, INC.**

### **AUDIT COMMITTEE CHARTER**

#### **Role & Purpose**

The purpose of the Audit Committee (the "Audit Committee" or "Committee") of the Board of Directors (the "Board") of St. Bernard Software, Inc. (the "Company") is to assist the Board in fulfilling the oversight responsibilities of the Board with respect to (i) the quality and integrity of the Company's financial statements and reports, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditor, (iv) the performance of the Company's internal audit function (if applicable), (v) the Company's systems of internal controls regarding finance and accounting established by Management and the Board, and (vi) the Company's auditing, accounting, and financial reporting processes generally. The Company's independent auditors, in their capacity as independent public accountants, shall be responsible to the Board and the Committee as representatives of the stockholders and shall report directly to the Audit Committee. The Committee is expected to maintain free and open communication (including private executive sessions at least annually) with the independent auditors and Management of the Company. In discharging this oversight role, the Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose. 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.

#### **Composition and Organization**

Members shall be elected annually by the full Board and shall serve until the earlier of the appointment of their respective successors, the end of their service as a Director of the Company or their resignation from the Committee. A chairperson of the Committee may be appointed either by the Board of Directors or by election by vote of a majority of the full Committee. The chairperson will chair all regular sessions of the Committee and set the agenda for Committee meetings. The Committee may form and delegate authority to subcommittees when appropriate.

The Audit Committee shall be composed entirely of independent Directors. The membership of the Committee shall consist of at least three Directors, each of whom shall satisfy the independence, financial literacy and experience requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the listing standards under Nasdaq's Marketplace Rules applicable to Committee members as in effect from time to time. At least one member of the Committee shall (i) have "accounting or related financial management expertise" (within the meaning of such term as defined from time to time by Nasdaq) by the deadlines established by the Nasdaq National Market ("Nasdaq") from time to time for having a member with such expertise as determined by the Board, and (ii) be a "financial expert" (as such term may be defined by the Securities and Exchange Commission (the "SEC")), no later than the deadline established by the SEC for affected issuers to have such a Director.

To the extent contemplated by the requirements of Nasdaq, the only compensation that an Audit Committee member may receive from the Company shall be fees for such members' service on the Board or any committee of the Board.

The Audit Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Audit Committee shall be prepared and maintained with the Company's corporate records. The operation of the Audit Committee shall be subject to the Bylaws of the Company as in effect from time to time and Section 141 of the Delaware General Corporation Law.

No Audit Committee member may serve on the audit committee of more than three public companies at any one time.

## Duties & Responsibilities

The Audit Committee's responsibilities and duties shall be to:

- Be directly responsible for the selection and appointment, retention, compensation, termination and oversight of the work of the Company's independent auditor, including the approval of all audit engagement fees and terms.
- Review and discuss with Management and the independent auditor any material conflicts or disagreements between Management and the independent auditor regarding financial reporting, accounting practices or policies and resolve any disagreements between Management and the independent auditor regarding financial reporting.
- Review in advance, and grant any appropriate pre-approvals (other than with respect to de minimis exceptions described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit) of (i) all audit, review and attest services to be performed by the independent auditor, as well as the scope and plans for the audit and (ii) all non-audit services to be provided by the independent auditor as permitted under the Exchange Act, as well as the scope of such service and the compensation to be paid for such service. The Committee may delegate pre-approval authority to one or more Committee members so long as such pre-approval decisions are presented to the full Committee at the next scheduled meeting.
- Review and discuss with Management all disclosures required to be included in periodic reports filed under the Exchange Act with respect to non-audit services provided by the independent auditor.
- On an annual basis, review and discuss with the independent auditor all relationships between the independent auditor and the Company in order to evaluate the independent auditor's continued independence. The Committee shall ensure annual receipt of a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company in accordance with the standards set by the Independence Standards Board and shall discuss with the independent auditor all disclosed relationships or services that may affect auditor independence or objectivity.
- At least annually, obtain and review a report by the independent auditor describing (i) the independent auditor's internal quality control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, 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 independent auditor, and any steps taken to deal with any such issues.
- Review all reports required to be submitted by the independent auditor to the Committee under the Exchange Act.
- Evaluate the independent auditor's qualifications and performance (including the review and evaluation of the lead partner of the independent auditor), taking into account the opinions of Management and the Company's internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the full Board.
- Confirm that the lead audit partner, or the audit partner responsible for reviewing the audit, of the independent auditor has not performed audit services for the Company for each of the five previous fiscal years.
- Review the Company's balance sheet, profit and loss statement and statements of cash flows and stockholders' equity for each interim period, and any changes in accounting policy that have occurred during the interim period.

- Review and discuss with Management and the independent auditor, prior to filing with the SEC, the annual audited financial statements and quarterly financial statements included in any periodic report filed with the SEC and the Company's disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in any filing with the SEC.
- Review **and discuss with Management** and the independent auditors, as appropriate, earnings press releases (including the use of any "pro forma" or "adjusted" non-GAAP presentations), as well as financial information and earnings guidance provided to analysts and rating agencies. It is anticipated that the discussions described in this paragraph may include quality of earnings, discussions of significant items subject to estimate, consideration of the quality and acceptability of accounting principles, audit adjustments (whether or not recorded), and such other inquiries as may be deemed appropriate by the Audit Committee.
- Prepare the report required by the SEC to be included in the Company's annual proxy statement and any other committee reports required by applicable securities laws or stock exchange listing requirements or rules.
- Discuss guidelines and policies governing the procedures for risk assessment and risk management, including discussion of the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures.
- Approve and report to the Board regarding any transactions, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board or otherwise, between (i) the Company and (ii) any employee, officer or director of the Company, or any affiliates of the foregoing, and approve any such transactions as required under the rules of Nasdaq or Company policies or procedures, including the **Company's Code of Ethics and Business Conduct**.
- Review with counsel, the independent auditor and management, as appropriate, any significant regulatory or other legal or accounting initiatives or matters that could have a material impact on the Company's financial statements, if, in the judgment of the Audit Committee, such review is necessary or appropriate.
- Meet periodically in separate sessions, in person or telephonically, with Management, with internal auditors or other personnel responsible for the internal audit function (if applicable) and with the independent auditor to discuss matters that the Committee, Management, the internal auditors or the independent auditor believe should be discussed privately with the Committee.
- Review with the independent auditor any audit problems or difficulties (including any restrictions on the scope of the independent auditor's activities or on access to the requested information, and any significant disagreements with Management) and Management's response, as well as any material written communication between the independent auditor and Management.
- Discuss the responsibilities, budget and staffing of the Company's internal audit function, if appropriate.
- Periodically review and discuss with Management and the independent auditor the scope, quality and adequacy of the Company's internal controls over financial reporting and disclosures, any significant deficiencies or material weaknesses in such controls, any significant changes in such controls, and any fraud involving Management or other employees who have a significant role in the Company's internal controls.
- Set hiring policies for employees or former employees of the independent auditor.
- Establish procedures, when and as required by applicable laws and rules, for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Report regularly to the Board, by means of written or oral reports, submission of minutes of Committee meetings or otherwise, from time to time or whenever it shall be called upon to do so, including a review of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor, or the performance of the Company's internal audit function.
- Review this Charter annually for possible revision and recommend any proposed changes to the Board for approval.
- Consider and review with Management, the independent auditor, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

### **Authority and Resources**

The Committee shall have the sole authority to hire and fire independent auditors and to approve any significant non-audit relationship with the independent auditors.

The Committee shall have the authority to retain outside legal, accounting or other advisors, as it determines necessary to carry out its duties. The Committee shall determine the extent of funding necessary for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any independent legal, accounting or other advisors retained to advise the Committee.

### **Interpretation and Determination**

The Committee shall have the power and authority to interpret this Charter and make any determinations as to whether any act taken has been taken in compliance with the terms hereof.

### **Evaluation**

The Committee shall conduct an annual performance evaluation of this Committee.

### **Disclosure**

This Charter shall be made available on the Company's website.