

# **Liberator Medical Holdings, Inc.**

## **Audit Committee Charter**

**As Adopted August 19, 2010**

### **Role**

The Audit Committee of the Board of Directors of Liberator Medical Holdings, Inc. (the “Company”), assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Committee's purpose is to oversee the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company and internal control over financial reporting, and the performance of the Company's internal audit function and independent auditor. The Committee reviews and assesses the qualitative aspects of financial reporting to shareholders, the Company's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Committee is directly responsible for the appointment (subject to shareholder ratification), compensation, retention, and oversight of the independent auditor.

### **Membership**

The membership of the Committee consists of at least three directors, all of whom shall meet the independence requirements established by the Board and applicable laws, regulations, and listing requirements. Each member shall in the judgment of the Board have the ability to read and understand fundamental financial. At least one member of the Committee shall in the judgment of the Board be financially sophisticated under applicable laws, rules and listing requirements. The Board shall appoint the members of the Committee and the chairperson. The Board may remove any member from the Committee at any time with or without cause.

### **Operations**

The Committee meets at least four (4) times a year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of its proceedings, and will report on its actions and activities at the next quarterly meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference

telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the State of Nevada.

### **Communications**

The independent auditor reports directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor, the internal auditors, and management. This communication will include periodic private executive sessions with each of these parties.

### **Education**

The Company is responsible for providing new members with appropriate orientation briefings and educational opportunities, and the full Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested by the Committee. The Company will assist the Committee in maintaining appropriate financial literacy.

### **Authority**

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. The Company will provide the Committee with appropriate funding, as the Committee reasonably determines, for the payment of compensation to the Company's independent auditor, outside counsel, and other advisors as it deems appropriate, and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have access to the Company's books, records, facilities, and personnel. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

## **Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role as provided in this Charter, by NYSE Amex, or by the Securities and Exchange Commission ("SEC").

The Committee relies on the expertise and knowledge of management, the internal auditors, and the independent auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles, and establishing satisfactory internal controls over financial reporting. The independent auditor is responsible for auditing the Company's financial statements and the effectiveness of the Company's internal control over financial reporting. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate or in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's standards of business conduct, codes of ethics, internal policies, procedures, and controls.

In carrying out its responsibilities, the Audit Committee believes its procedures should remain flexible in order to best react to changing conditions and to foster compliance with applicable requirements and integrity with respect to the corporate accounting and reporting practices of the Company.

In carrying out these responsibilities, the Audit Committee shall:

- After consulting with management, review and recommend to the directors, the independent auditors to be selected to audit the financial statements of the Company and its divisions and subsidiaries. The independent auditors shall be responsible to the Board of Directors, and shall report directly to the Audit Committee, as the Board of Director's representative, on matters pertaining to its engagement. The Audit Committee shall be responsible for the appointment, compensation, evaluation, and oversight of the independent auditors and, where appropriate, replacing the independent auditors.
- Require the independent auditors to submit a written statement to the committee, consistent with Independence Standards Board Standard No. 1, delineating all relationships between the Company and the independent auditors, engage in dialogue with respect to any such disclosed relationships or services which may impact the objectivity and independence of the auditors, and take, or recommend that the directors take, appropriate action to ensure the independence of the auditors.

- Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, review such audit, including any comments or recommendations of the independent auditors and the information required to be communicated to the committee by the independent auditors by Statements on Auditing Standard No. 61 as then in effect.
- Review the audited financial statements to be contained in the Company's Annual Report on Form 10-K with management and discuss those reports with the independent auditors with a view to determining whether the independent auditors are satisfied with the disclosure and content of the financial statements included in those reports. Any changes in accounting principles should also be reviewed. Based on such reviews and related discussions, make a recommendation to the Board of Directors concerning whether the audited financial statements should be included in the Form 10-K.
- Review with the independent auditors and financial management of the Company, the adequacy and effectiveness of the accounting and financial controls of the Company, including the adequacy of such internal controls and review any plans for the improvement of such internal control procedures. Further, the committee periodically may review with the Company's general counsel the Company's Code of Conduct and Ethics.
- Review the proposed audit plans for the coming year and the coordination of such plans with the independent auditors.
- Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters or violations of the Company's Code of Conduct and Ethics; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- Provide sufficient opportunity for the independent auditors to meet with the members of the Audit Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.
- Submit the minutes of all meetings of the Audit Committee to, or discuss the matters discussed at each committee meeting with, the Board of Directors.
- Investigate any matter brought to its attention within the scope of its duties, with the power to retain and determine compensation for outside counsel or other

advisers for this purpose or any other purpose that the Audit Committee deems appropriate.

- Determine the funding levels for the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.