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CREDO PETROLEUM CORP
Form DEF 14A
February 10, 2004

Proxy Statement

Pursuant to Section 14(a)
of the Securities Exchange
Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of Commission Only (as permitted
by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to ' 240-14a-11(c) or
' 240.14a-12.

CREDO PETROLEUM CORPORATION

(Name of Registrant as Specified in Its Charter)

Not Applicable

(Names of Person(s) Filing Proxy Statement)

CREDO PETROLEUM CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held March 11, 2004

You are invited to attend or to be represented by proxy at the Annual Meeting of Shareholders of CREDO Petroleum Corporation, a Colorado corporation, to be held at the Wells Fargo Center, J. D. Hershner Room, (Lobby), 1700 Lincoln Street, Denver, Colorado, on March 11, 2004 at 2:30p.m., MST, for the purposes set forth below.

1. To elect two Class I directors to serve until the year 2007 Annual Meeting of Shareholders.
2. To ratify the appointment of independent auditors for

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the fiscal year 2004.

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on January 30, 2004 are entitled to vote at the meeting. You are cordially invited to attend the meeting in person.

Whether or not you plan to attend the meeting, it is important that you return your signed proxy. Your vote is important regardless of the number of shares you own.

BY ORDER OF THE BOARD OF DIRECTORS

William F. Skewes
Secretary and General Counsel

January 30, 2004
Denver, Colorado

PLEASE FILL IN, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY SO THAT YOUR VOTE CAN BE RECORDED WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

You May Revoke Your Proxy And Vote In Person
If You Attend The Meeting.

CREDO PETROLEUM CORPORATION
1801 Broadway, Suite 900, Denver, Colorado 80202

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, MARCH 11, 2004

Your proxy in the enclosed form is solicited by the Board of Directors of CREDO Petroleum Corporation for use at the Annual Meeting of Shareholders to be held on Thursday, March 11, 2004 at 2:30 p.m., MST, at the Wells Fargo Center, J. D. Hershner Room, (Lobby), 1700 Lincoln Street, Denver, Colorado, and any adjournment thereof. These proxy materials were first mailed to shareholders on or about February 6, 2004.

Only shareholders of record at the close of business on January 30, 2004 will be entitled to vote at the meeting. On that date, there were 4,014,121 shares of common stock outstanding and entitled to vote, excluding 320,088 shares held in the Company's treasury.

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All shares represented by properly executed, unrevoked proxies timely received in proper form will be voted in accordance with the directions specified thereon. Any such proxy on which no direction is specified will be voted in favor of the election of the nominees named herein to the Board of Directors and for ratification of the appointment of Hein + Associates LLP as independent auditors for the Company for fiscal 2004. In addition, all proxies will be voted in accordance with the judgement of the proxy holders with respect to any other matter which may properly come before the meeting. Any shareholder giving a proxy may revoke that proxy at any time before it is voted at the meeting by executing a later dated proxy, by voting by ballot at the meeting, or by filing with the Election Judge an instrument of revocation.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The \$.10 par value common stock of the Company is the only class of capital stock outstanding. Each outstanding share of common stock is entitled to one vote with respect to each matter to be voted on by the shareholders, which vote may be given in person or by proxy duly authorized in writing. Cumulative voting is not permitted. A majority of the shares of outstanding common stock will constitute a quorum for transaction of business at the meeting. The affirmative vote of the majority of the total number of shares represented and voted at the meeting, assuming a quorum is present, is necessary for the approval of each of the matters being voted upon. Shares that withhold votes for a nominee for director or shares that either abstain from voting on other proposals presented or which lack authority to vote will have no effect in the tabulation of votes although they will be counted toward the presence of a quorum.

The only persons known to own of record or beneficially more than 5% of the Company's common stock as of January 30, 2004 are set forth below.

Name and Address -----	Amount and Nature of Beneficial Ownership -----	Percent of Class -----
James T. Huffman 6919 S. Steele Street Littleton, Colorado 80122	569,796(1)	14.2%
R. K. O'Connell P.O. Box 2003 Casper, Wyoming 82602	203,303(2)	5.1%

- (1) Mr. Huffman is the Company's President and Chairman of the Board. Includes 179,736 shares owned by members of Mr. Huffman's family.
- (2) Includes 15,380 shares owned by Mr. O'Connell's wife and by a corporation for which he serves as an officer.

DIRECTORS AND OFFICERS
Election of Directors (Item 1 on Proxy Card)

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The Articles of Incorporation, as amended, classify members of the Board of Directors into three classes having staggered terms of three years each. The Board of Directors consists of six directors, including five outside directors, who have particular expertise in areas considered essential to the Company's business--namely geology, land, petroleum engineering, legal and accounting.

The directors to be elected to the Board in Class I at the 2004 Annual Meeting of Shareholders will serve until the 2007 Annual Meeting and until their successors are duly elected and qualified. Class III and Class II directors will continue to serve until the 2005 and 2006 Annual Meetings of Shareholders, respectively, and until their successors are duly elected and qualified.

The Class I nominees named below are presently members of the Board of Directors. Unless your proxy contains contrary instructions, it will be voted for the nominees. Should the nominees become unable to serve, which is not anticipated, the proxies will vote for such substitute nominee as recommended by the Board of Directors. Any vacancy occurring in a class following the election of that class may be filled by the Board of Directors. A director selected to fill a vacancy in a class will hold office for a term expiring at the annual meeting at which the term of that class expires and until a successor is duly elected and qualified.

The following table sets forth certain information with respect to each nominee and each director whose term of office will continue after the meeting.

Information Concerning Director Nominees and Continuing Directors

Name, Age, Position with Company and Term as Director	Business Experience and Directorships in Other Public or Investment Companies	Shares of Common Stock Owned Beneficially and Percent of Class(1)
CLASS I - NOMINEES FOR ELECTION AT THE 2004 ANNUAL MEETING WHOSE TERMS WILL EXPIRE AT THE 2007 ANNUAL MEETING		
Oakley Hall Age: 57; Director since 2000	Independent businessman since 2000; previously a PricewaterhouseCoopers partner	35,533 (0.9%) (3) (4)
William F. Skewes Age: 58; Corporate Secretary and General Counsel; Director since 1980	Attorney in private practice since 1988; previously a partner in the Denver law firm of Kelly, Stansfield & O'Donnell from 1977 to 1988	53,689 (1.3%) (3)

CLASS III - DIRECTORS WHOSE TERMS WILL EXPIRE AT THE

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2005 ANNUAL MEETING

William N. Beach Age: 79; Director since 1980	Independent oil operator and President of Beach Exploration, Inc. since 1975	75,133	(1.9%) (3) (5)
Richard B. Stevens Age: 74; Director since 1987	Independent businessman and oil operator since 1987; President of SECO Energy Corporation from 1981 to 1987	161,157	(4.0%) (3)

CLASS II - DIRECTORS WHOSE TERMS WILL EXPIRE AT THE 2006 ANNUAL MEETING

James T. Huffman Age: 56; Chairman of the Board, President; Director since 1978	Chairman and President since 1981	569,796	(14.2%) (2) (3)
Clarence H. Brown Age: 69; Director since 2000	Independent businessman and oil operator since December 2000; Executive Vice President, Chief Operating Officer and Director of Columbus Energy, Inc. from 1989 to November 2000; previously Chairman and Chief Executive Officer of Kimbark Oil and Gas Company	34,333	(0.9%) (3)

All Directors and Officers as a Group (seven persons)	929,641	(23.2%)
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- (1) Owned of record and beneficially unless otherwise indicated.
- (2) Includes 179,736 shares owned by members of Mr. Huffman's family.
- (3) Includes the following shares subject to currently exercisable stock options: Mr. Huffman-16,083 shares; Mr. Brown-16,813 shares; all other directors-4,333 shares each.
- (4) Mr. Hall's shares are held in the name of an entity he controls.
- (5) Includes 8,800 shares owned by members of Mr. Beach's family.

Information Concerning Meetings of the Board of Directors and Board Committees

The Board of Directors met five times during fiscal 2003. All directors were present for 80% of the meetings. It is Company policy that Board members attend the Annual Meeting of Shareholders unless health, family or other important personal matters prohibit such attendance. All members of the Board of Directors attended the Company's 2003 Annual Meeting.

The Board has an Executive Committee consisting of Messrs. Hall, Huffman and Skewes. The Executive Committee did not meet during fiscal 2003. There are no compensation or nominating committees because such matters are considered by the Executive Committee or the entire Board of Directors. The Board of Directors consists of only six members and the Executive Committee consists of only three members. The Board believes that, due to their size and/or composition, either body is capable and qualified to fulfill the function of a separate

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nominating committee or compensation committee.

The Audit Committee of the Board of Directors consists of three members: Mr. Hall, a CPA; Mr. Brown, a former oil company executive; and Mr. Skewes, an attorney. Mr. Hall is a CPA and is a retired PricewaterhouseCoopers audit partner. He is Chairman of the Audit Committee and is qualified as an "audit committee financial expert" under the applicable Commission rules. Mr. Hall and Mr. Brown are "independent" directors under the applicable National Association of Securities Dealers' listing standards ("NASD Independent Director Standards"). Mr. Skewes, an attorney in private practice, serves as the Company's General Counsel and Corporate Secretary although he is not an employee of the Company and has not received consulting services compensation from the Company for the past three years. Because he is an officer of the Company, Mr. Skewes does not technically meet the definition of an "independent" director under the NASD Independent Director Standards. Nevertheless, the Board of Directors believes that Mr. Skewes is independent from management of the Company and that his legal background and his knowledge of financial statements qualify him for membership on the Audit Committee.

Audit Committee Report

The responsibilities of the Audit Committee are set forth in the Audit Committee Charter which has been adopted by the Board of Directors and is attached to this Proxy Statement as Appendix "A". A copy of the Charter was included as an Appendix to the 2001 Proxy Statement and will be included at least once every three years in future Proxy Statements.

The Audit Committee met four times during fiscal 2003 and has met once since fiscal 2003 year-end. The Committee reviewed and discussed the Company's audited financial statements for fiscal 2003 with management and the Company's independent auditors, and discussed with the Company's independent auditors the matters required by Statement of Auditing Standards No. 61. The Committee has received from the independent auditors appropriate disclosures regarding the auditors' independence as required by Independence Standards Board Standard No. 1. Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements for the year ended October 31, 2003 be included in the Company's Annual Report on Form 10-KSB.

Submitted by the Audit Committee of the Board of Directors

Oakley Hall, Chairman
Clarence H. Brown
William F. Skewes

Compensation of and Agreements with Non-Employee Directors

Non-employee directors receive \$2,000 plus reimbursement for out-of-pocket expenses for each meeting of the Board of Directors attended and may be paid \$100 per hour for committee meeting attendance or for consulting services provided at the request of the majority of the Board of Directors.

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Non-employee directors also receive director compensation in the form of stock options granted under the Company's Stock Option Plan. The option exercise price is the price of the Company's common stock on the option grant date. The options vest in one-third increments beginning on the date of grant and then on each anniversary thereafter until fully vested, and they expire on the fifth anniversary of the date of grant except for options granted on June 13, 2003 which expire on their tenth anniversary date. Mr. Brown was granted a stock option on July 27, 2000 to purchase 30,000 shares at \$4.11. He has exercised 17,520 stock options and has 12,480 currently exercisable stock options. Mr. Hall was granted a stock option on December 21, 2000 to purchase 30,000 shares at \$4.17 and has exercised all of them. Amounts reported above are adjusted for a 20% stock dividend made during 2003. Each non-employee director was granted a stock option on June 13, 2003 to purchase 13,000 shares at \$13.34. None of the options have been exercised.

The Company has entered into indemnification agreements with each of its non-employee directors. Those agreements require the Company to indemnify such directors to the fullest extent permitted by Colorado Law and to advance expenses in connection with certain claims against the directors.

Information Concerning Other Executive Officers and Significant Employees

In addition to the directors and executive officers listed above, the following persons are executive officers or significant employees as defined by Securities and Exchange Commission regulations.

Name	Position	Age	Work Experience
James P. Garrett, Jr.	Vice President and Chief Financial Officer since July 2003	57	Prior to joining the Company, Manager of Internal Reporting and Manager of Expenditure Accounting from 2001 to mid-2003 for Cimarex Energy Corporation and one of its predecessor companies. Previously Controller and Treasurer of Columbus Energy Corporation from 1992 to 2000. He is a member of the American Institute of Certified Public Accountants, the Colorado Society of CPAs and is a Director of COPAS Colorado.
Kenneth J. DeFehr	Manager-Petroleum Engineering since October 1990	54	Prior to joining the Company, Senior Reservoir Engineer for Axem Resources, Inc. from 1982 to 1990. Previously Reservoir Engineer for Phillips Petroleum Company. Registered Professional Engineer.
Torie A. Vandeven	Manager-Geology and Exploration since August 1999	49	Prior to joining the Company, Regional Geologist for Key Production Company from 1997

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to 1998. Previously Senior Staff Geologist and Regional Exploitation Geologist for Amoco Production Company from 1995 to 1997 and from 1998 to 1999, respectively. Prior to 1995, Senior Staff Geologist for Santa Fe Minerals, Inc. Certified Petroleum Geologist.

Executive Compensation

The following table shows, for the fiscal year ended October 31, 2003, the compensation paid or accrued by the Company for services in all capacities to the chief executive officer of the Company. No other executive officer had salary and bonus in excess of \$100,000.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation
		Salary	Bonus	Other Annual Compensation	Awards		Payouts	
					Restricted Stock Award(s)	Securities Underlying Options (Shares)	LTIP Payouts	
James T. Huffman, Chief Executive Officer	2003	\$120,000	\$50,000	\$11,700 (1)	-	-	-	\$80,190
	2002	\$120,000	\$30,000	\$21,500 (1)	-	-	-	\$50,300
	2001	\$120,000	\$30,000	\$25,800 (1)	-	-	-	\$17,800

- (1) Of this amount, approximately 50%, 82% and 82% represents health insurance premiums in 2003, 2002 and 2001, respectively.
- (2) Of this amount, approximately 11% in 2003, 15% in 2002 and 28% in 2001 represents life insurance premiums, approximately 8% in 2003, 11% in 2002 and 29% in 2001 represents employer matching 401(k) Plan contributions, and the remainder primarily represents payments from oil and gas production.

Option Grants in Last Fiscal Year

There was one grant of stock options to the named executive officer in 2003. The following table provides information regarding the option.

Individual Grant					
Number of Securities Underlying Options	Percent of Total Options Granted to Employees in Fiscal		Exercise or Base Price	Expiration	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term
	Granted to	Employees in Fiscal			

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Name	Granted	Year	(\$/SH)	Date	5%	10%
James T. Huffman	48,250	27%	\$13.34	6/12/13	\$405,000	\$1,026,000

The following table provides information on the exercisability of options held by the named executive officer and the value of such officer's unexercised options at October 31, 2003. There were no option exercises during the period and the Company has not awarded any stock appreciation rights (SARs).

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Unexercised Options/SARs at FY-End (Exercisable/Unexercisable)	Value of Unexercised In-the-Money Options/SARs at FY-End(1) (Exercisable/Unexercisable)
James T. Huffman	-	-	16,083/32,167	\$63,000/\$126,000

(1) Based on the fair market value of the Company's common stock at the close of business on October 31, 2003 (\$17.26 per share) minus the exercise price of the option.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan(s) (1) (c)
Equity compensation plans approved by security holders	322,980	\$ 10.67	-
Equity compensation plans not approved by security holders	-	-	-
Total	322,980	\$ 10.67	

(1) Excluding securities reflected in column (a).

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SELECTION OF INDEPENDENT AUDITORS (Item 2 on Proxy Card)

The Board of Directors has appointed, subject to ratification by the shareholders, Hein + Associates LLP as the independent auditors of the Company for fiscal 2004. Representatives of Hein + Associates LLP will be present at the Annual Meeting to make any statement they so desire and to answer appropriate shareholder questions.

In the absence of contrary instructions by a shareholder, the shares represented by the proxies will be voted FOR the ratification of the appointment of Hein + Associates LLP as the Company's independent auditors for fiscal 2004.

Audit Fees

The aggregate fees billed for professional services rendered by Hein + Associates LLP for its audit of the Company's annual financial statements and its reviews of the financial statements included in the Company's Form 10-QSB were \$36,500 and \$37,100 for fiscal 2002 and 2003 respectively.

Audit Related Fees

The aggregate fees billed for assurance and related services by Hein + Associates LLP totaled \$700 and \$1,600 in fiscal 2002 and 2003, respectively.

Tax Fees

The aggregate fees billed for tax services by Hein + Associates LLP were none and \$400 in fiscal 2002 and 2003, respectively.

All Other Fees

Hein + Associates LLP provided no services during fiscal 2002 and 2003 other than the services described above, and thus, no fees for such services were billed. The Audit Committee has reviewed such fees and found that the provision of such other services is compatible with maintaining the principal accountant's independence.

Policies and Procedures for Approval of Audit and Non-Audit Services

The Audit Committee pre-approves estimates of audit and non-audit services expected to be performed by Hein + Associates LLP in any fiscal year. In addition, the Audit Committee may delegate authority to its Chairman to pre-approve additional audit and non-audit services by Hein + Associates LLP, and ensures that the independent auditors shall not be engaged to perform the specific non-audit services that are prohibited by law or regulation. The Audit Committee Chairman must report the amount of any such additional pre-approved services at the next scheduled Audit Committee Meeting. The Audit Committee pre-approved 100% of Hein + Associates LLP fees for audit and non-audit services in fiscal 2002 and 2003. There were no hours expended on the Hein + Associates LLP audit of the Company's most recent financial statements by persons other than Hein + Associates LLP's full-time, permanent employees.

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The Audit Committee has concluded that services rendered by Hein + Associates LLP and the related fees paid to Hein + Associates LLP are compatible with maintaining Hein + Associates LLP's independence.

The Board of Directors recommends a vote FOR this proposal and will be governed by the decision of a majority of shares voting.

CODE OF ETHICS

The Company is in the process of adopting a Code of Ethics that applies to, among others, its executive officers, principal financial officer, and other persons, if any, performing similar functions. Once adopted the Company's Code of Ethics will be posted on its Internet website (www.credopetroleum.com). In addition, a copy of the Code of Ethics can be obtained from the Company, without charge, by written request to the Chief Financial Officer at the Company's address.

MANNER AND EXPENSES OF SOLICITATION

Solicitation of proxies will be by mail. The total expenses of such solicitation will be borne by the Company and will include reimbursement of brokerage firms and others for their expenses in forwarding solicitation material regarding the meeting to beneficial owners. Solicitation of proxies may be made by telephone or oral communication by regular employees of the Company who will not be directly compensated. In addition, the Company may employ a proxy solicitor. Costs of a proxy solicitor, if any, will be paid by the Company and will not exceed \$100,000.

SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING AND SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Any proposal which a shareholder intends to present for consideration and action at the next annual meeting of shareholders must be received in writing by the Company no later than October 11, 2004 and must conform to applicable Securities and Exchange Commission rules and regulations.

The Board of Directors attends each Annual Meeting and the individual directors are available to answer appropriate questions. Appropriate questions generally relate to the Board's responsibility to establish overall policy and direction for the Company, its responsibility to retain and evaluate management, and its responsibilities related to certain functions related to the Audit Committee. In the past five years, the Company has not received formal shareholder communications addressed to the Board, and has not adopted a formal process for shareholder communications to the Board, or its individual members. If such communications are received, the Company's informal policy is for the Chairman of the Board to review them and to present those that he deems, in his sole judgement, to be within the scope of the Board's responsibility to the Board at its next regular meeting. The Board will then determine, in its sole judgement, whether a response to any such communication is appropriate. Pursuant to recently issued SEC rules, the Board will formalize a policy and guidelines regarding shareholder communications to

directors in the near future.

OTHER MATTERS

The Company knows of no other matters to be brought before the Annual Meeting. However, if other matters come to their attention before the meeting, it is the intention of the persons named in the proxy to vote such proxy in accordance with their judgement on such matters.

A copy of the Company's Annual Report for the fiscal year ended October 31, 2003, which includes financial statements, is enclosed for your information. The Annual Report is not a part of the proxy solicitation material.

APPENDIX A
CREDO PETROLEUM CORPORATION
Audit Committee Charter

Composition

The Audit Committee is established as a standing committee of the Board of Directors. The membership of the Audit Committee shall consist of at least three non-employee directors who are (or will become within a reasonable time after appointment) financially literate, including at least one member who will be qualified as an "audit committee financial expert" under applicable rules of the Securities and Exchange Commission ("SEC") and The NASDAQ Stock Market, Inc. ("NASDAQ"). Each member of the Audit Committee shall be free of any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment and shall meet the independence requirements of the applicable federal securities laws, SEC and NASDAQ then in effect.

Meetings and Structure

The Board of Directors shall appoint one member of the Audit Committee as chairperson. He or she shall be responsible for leadership of the Audit Committee and reporting to the Board of Directors.

The Audit Committee shall meet at least four times per year and at such times and places and by such means as the Chair shall determine. A majority of the members of the Audit Committee shall constitute a quorum. Minutes of all Audit Committee meetings will be prepared and filed with the minutes of the Board of Directors.

Statement of Policy

The Audit Committee will provide assistance to the directors in fulfilling their responsibilities to the shareholders and to the investment community relating to accounting, reporting practices and the quality and integrity of the financial reports of the Company. To that end, it is the responsibility of the Audit Committee to maintain free and open lines of communication between the Board of Directors, the independent auditors and the Company's accounting and financial management.

Responsibilities

The Audit Committee's primary responsibilities include:

- (a) Review and make recommendations to the Board of Directors as to which independent auditors should be selected to audit the financial statements of the Company and its subsidiaries. Confirm the regular rotation of the lead audit partner and reviewing partner as required by law.
- (b) Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year, and, after the completion of the audit, to review the results of the audit, including any comments or recommendations made by the independent auditors.
- (c) Pre-approve all audit and not-audit services to be rendered by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services proscribed by law or regulation. The Audit Committee may delegate pre-approval authority to the Chair of the Audit Committee, whose decisions shall be presented to the full Audit Committee at its next scheduled meeting.
- (d) Review with the independent auditors and the Company's financial and accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations from the independent auditors regarding the improvement of those internal control procedures or particular areas where new or more detailed controls or procedures might be necessary to protect material assets of the Company.
- (e) Provide sufficient opportunity for the independent auditors to meet with the members of the Audit Committee without members of management present. Items which could be discussed at such meetings include the independent auditors' evaluation of the Company's financial and accounting personnel, and the cooperation that the independent auditors received during the course of any current or recently completed audit.
- (f) Review and approve in advance all related party transactions as defined by SEC regulations with the Company.
- (g) Submit the minutes of all meetings of the Audit Committee to, or discuss the matters discussed at each Audit Committee meeting with, the Board of Directors.
- (h) Investigate any matter brought to its attention within the scope of its duties, with the power to retain, at the Company's expense, outside legal counsel and other advisors for this purpose if, in its judgment, that is appropriate.
- (i) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company

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regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- (j) Review and reassess the adequacy of this Charter on an annual basis.

The Board of Directors and the Audit Committee will have ultimate authority and responsibility to select, evaluate and replace the independent auditors. The independent auditors are ultimately accountable to the Board of Directors and the Audit Committee. The Audit Committee is responsible for (i) ensuring that the independent auditors, on a periodic basis, submit a formal written statement delineating all relationships between the Company and the independent auditors; (ii) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors; and (iii) recommending that the Board of Directors take appropriate action to ensure the independence of the independent auditors. In addition, the Audit Committee shall set clear hiring policies with respect to the Company's hiring of employees or former employees of the independent auditors that meet the applicable federal securities laws, SEC regulations and NASDAQ standards.

In addition to the above responsibilities, the Audit Committee shall undertake such other duties as the Board of Directors delegates to it.

Revised: January 29, 2004