



AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors of the Energy Improvement Corporation (EIC), a public benefit corporation established under the laws of the State of New York, on this 5th day of March 2015.

Purpose

Pursuant to Article 3, Section 17 of EIC's bylaws, the purpose of the Audit Committee shall be to: (1) assure that EIC's Board fulfills its responsibilities for EIC's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, and the Board of Directors.

Powers of the Audit Committee

It shall be the responsibility of the Audit Committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by EIC.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from EIC employees, all of whom should be directed by the Board to cooperate with committee requests.
- Meet with EIC staff, independent auditors or outside counsel, as necessary.
- Retain, at the EIC's expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

The Energy Improvement Corporation ("the EIC") Board will ensure that the Audit Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The Audit Committee shall be established as set forth in and pursuant to Article 3, Section 17 of EIC's bylaws. The Audit Committee shall consist of at least three independent directors. The Audit Committee may include such other members as permitted under EIC's bylaws, but a majority of the committee members must be independent directors. The Audit Committee members need not be professional accountants or auditors; however, ideally all members of the Audit Committee should possess or obtain a basic understanding of governmental financial reporting and auditing. EIC's Board will appoint the members of the Audit Committee and the Audit Committee chair, who shall set the agenda for and preside over all meetings of the committee.

Audit committee members shall be prohibited from being an employee of EIC or an immediate family member of an EIC employee. In addition, Audit Committee members shall not engage in any private business transactions with EIC or receive compensation from any private entity that has material business relationships with EIC, or be an immediate family member of an individual that engages in private business transactions with EIC or receives compensation from an entity that has material business relationships with EIC.

Meetings

The Audit Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or videoconference. The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with EIC's independent auditor at least annually to discuss the financial statements of the authority.

Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with any briefing materials before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

Responsibilities

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) EIC's internal auditors (if any); (c) oversight of management's internal controls, compliance and risk assessment practices; (d) special investigations and whistleblower policies; and (e) miscellaneous issues related to EIC's financial practices.

A. Independent Auditors and Financial Statements

The Audit Committee shall:

- Appoint, compensate and oversee independent auditors retained by EIC and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. EIC's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support EIC's operations, such as bookkeeping or other services related to the accounting records or financial statements of EIC, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve EIC's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- Review the application of all proceeds of all financings of EIC

B. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall:

- Review management's assessment of the effectiveness of EIC's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

C. Special Investigations

The Audit Committee shall:

- Ensure that EIC has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers, or employees of EIC or any persons having business dealings with EIC or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization.)
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

D. Other Responsibilities of the Audit Committee

The Audit Committee shall:

- Report annually to EIC's Board on how it has discharged its duties and met its responsibilities as outlined in the charter.
- Report annually at the annual meeting on the financial condition of EIC and the application of outstanding financings of EIC
- Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the committee's charter annually, reassess its adequacy, and recommend any proposed changes to the EIC Board. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.