

## **LAW ENFORCEMENT ASSOCIATES CORPORATION'S AUDIT COMMITTEE CHARTER**

The role and responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Law Enforcement Associates Corporation (the "Company") are as follows, subject to amendment by the Board from time to time:

### **ROLE**

The Committee's role is to act on behalf of the Board to oversee the integrity of the Company's financial statements, the independent auditor's qualifications and independence and the performance of both the Company's internal audit group and the independent auditor. The Committee's role includes oversight of the qualitative aspects of financial reporting and disclosure to stockholders and the investment community, the Company's risk management policies that relate to the financial control environment, financial reporting and disclosure controls and the Company's procedures for compliance with significant applicable legal, ethical and regulatory requirements that impact the financial statements.

The role also includes coordination with other Board committees and, as outlined herein, direct communication with management, independent and internal auditors, counsel and other Committee advisors. Although the Committee has the responsibilities set forth in this Charter, management is responsible for preparing the Company's financial statements and the independent auditor is responsible for auditing those financial statements. It is not the duty of the Committee to plan or conduct the audit or to determine that the Company's financial statements are complete and accurate or are in accordance with generally accepted accounting principles ("GAAP"). Nothing in this Charter changes, or is intended to change, the responsibilities of management or the independent auditor. Moreover, nothing in this Charter is intended to increase the liability of the members of the Committee beyond that which existed before this Charter was approved by the Board.

### **MEMBERSHIP**

Committee membership shall consist of at least three Board members who qualify as independent within the meaning of the Company's Corporate Governance Guidelines and satisfy the experience and, as affirmatively determined by the Board, the independence requirements of the American Stock Exchange (the "AMEX") applicable to audit committee members (including, with respect to the chairperson of the Committee, any special requirements applicable to chairpersons of audit committees), as in effect from time to time when and as required by the AMEX. To the extent mandated by the requirements of the AMEX and/or the Securities and Exchange Commission (the "SEC"), at least one member of the Audit Committee shall be a "financial expert" within the meaning of such requirements. The members

of the Committee and the Committee chairperson shall be appointed and removed by the Board.

## **PROCEDURES**

Committee procedures shall be governed by the Company's Bylaws except as otherwise provided by resolution of the Committee of the Board.

## **OPERATING PRINCIPLES**

In fulfilling its function and responsibilities, the Committee should give due consideration to the following operating principles and processes:

1. Communication. Regular and meaningful contact throughout the year with the Chairman of the Board, other committee chairpersons, members of senior management and other key Committee advisors, independent and internal auditors, etc., as applicable, is viewed as important for strengthening the Committee's knowledge of relevant current and prospective business, financial reporting and disclosure issues.
2. Committee Expectations and Information Needs. The Committee should communicate to the Chief Executive Officer or his designee, internal audit and other external parties the expectations of the Committee and the nature, timing and extent of any specific information or other supporting materials requested by the Committee for its meetings and deliberations.
3. Resources. The Committee shall be authorized to access such internal and external resources, including retaining legal, financial or other advisors, as the Committee deems necessary or appropriate to fulfill its defined responsibilities. The Committee shall have the sole authority to approve the fees, costs and other terms of engagement of such outside resources.
4. Meeting Agendas. Committee meeting agendas shall be the responsibility of the Committee chairperson with input from Committee members and other members of the Board, with additional input from members of senior management and outside advisors to the extent deemed appropriate by the chairperson.
5. Committee Meeting Attendees. The Committee shall be authorized to request members of senior management, outside counsel, the internal audit group, the independent auditor and other advisors to participate in Committee meetings, as necessary, to carry out the defined committee responsibilities. Either internal or independent auditors, or counsel, may, at any time, request a meeting with the Committee or Committee chairperson with or without management attendance. In any case, the Committee shall meet periodically

in separate sessions with internal and independent auditors and management.

6. Reporting to the Board of Directors. The Committee, through the Committee chairperson, shall report all material activities of the Committee to the Board from time to time or whenever so requested by the Board. Any plan developed by the Committee for fulfilling its role and responsibilities should be presented to and discussed with the full Board, and approved by the full Board. In addition, minutes from Committee meetings should be distributed to each Board member prior to the subsequent Board meeting.

## **MEETING FREQUENCY**

The Committee shall meet at least four times annually and as necessary for review of the Company's quarterly financial information prior to public release, and more frequently as considered necessary by the Committee or its chairperson. To the extent practicable, Committee meetings should be held in conjunction with the regularly scheduled Board meetings.

## **COMMITTEE'S RELATIONSHIP WITH INDEPENDENT AND INTERNAL AUDITORS**

1. The Committee shall have the sole authority to review and approve the engagement of the independent auditor, including the scope of and plans for the audit, the adequacy of staffing and the compensation to be paid to the independent auditor.
2. The Committee shall have the sole authority to review and approve the retention of the independent auditor to perform any proposed permissible non-audit services, including the compensation to be paid therefor, authority for which may be delegated to one or more Committee members, provided that all approvals of non-audit services pursuant to this delegated authority be presented to the full Committee at its next meeting.
3. The Committee shall cause the independent auditor, in their capacity as independent public accountants, to be responsible to the Board and, as delegated, to the Committee as representatives of the stockholders.
4. The Committee shall cause the independent auditor to be viewed as the Board's and Committee's representatives in executing the Committee's oversight of periodic, annual and other financial reporting to stockholders. The Committee shall cause the independent auditor to report all relevant issues to the Committee responsive to agreed-upon Committee expectations. The Committee should review the work of the independent auditor in executing their role of oversight.

5. The Committee shall, on an annual basis, review, assess and report to the Board on the performance and qualifications of the independent auditor and the lead audit partner. In this respect, the Committee shall seek to obtain a report by the independent auditor describing the firm's internal quality control procedures and any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by any governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
6. The Committee shall, on an annual basis, review, assess and report to the Board on the independence of the independent auditor, taking into account the opinions of members of management and the Company's internal audit group and including an analysis of all non-audit services provided by the independent auditor and the effect, if any, on such independence. In connection with this review, the Committee shall seek to obtain a written statement from the independent auditor delineating all relationships between the auditor and the Company consistent with Independence Standards Board Statement No. 98-1, "Independence Discussions with Audit Committees." Additionally, the Committee should seek to maintain an active dialogue with the independent auditor with respect to disclosed relationships or services that may impact auditor objectivity or independence and should take, or recommend to the full Board, appropriate action to ensure the independence of the independent auditor.
7. The Committee shall monitor the rotation of the partners of the independent auditor on the Company's audit engagement team as required by applicable law and shall consider periodically and adopt, if deemed appropriate, a policy regarding rotation of auditing firms.
8. The Committee shall cause the internal audit group to be responsible to senior management, but to have a direct reporting responsibility and an effective line of communication to the Board through the Committee.
9. The Committee shall regularly discuss with the independent auditor and senior management the responsibilities, budget and staffing of the internal audit group. If either the internal audit group or the independent auditor identify significant issues warranting the attention of the Committee or the full Board that, in their judgment, have been communicated to management but have not been adequately addressed, the Committee shall cause such issues to be communicated to the Committee chairperson or any member of the Committee.

10. The Committee shall cause senior management to consult with the Committee regarding changes in the senior management of the internal audit group.
11. The Committee shall set clear policies regarding the employment by the Company of any employees or former employees of the independent auditor.

## **PRIMARY COMMITTEE RESPONSIBILITIES**

The primary Committee responsibilities are:

1. Annual and Interim Financial Reports. The Committee shall review and discuss with the independent auditor and management the Company's annual and interim financial reports, including (i) the independent auditor's assessment of the quality, not just acceptability, of accounting principles, (ii) the reasonableness of significant judgments and estimates (including material changes in estimates), (iii) any audit adjustments noted or proposed by the independent auditor (whether "passed" or implemented in the financial reports), (iv) the adequacy of the disclosures in the financial statements, (v) the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (vi) any other matters required to be communicated to the Committee by the independent auditor under Statement on Auditing Standards No. 61. Such review and discussion shall occur prior to the filing or distribution of such reports.
2. Other Financial Disclosure. The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
3. Fraud and Regulatory Noncompliance. The Committee shall review and assess the internal and independent auditors' responsibility for detecting accounting and reporting financial errors, fraud and defalcations, illegal acts and noncompliance with the corporate code of conduct and regulatory requirements.
4. Internal Audit Plans. The Committee shall review and assess the annual internal audit plan and the process used to develop the plan, status of activities, significant findings, recommendations and management's response.
5. Regulatory Examinations. The Committee shall review and assess SEC inquiries and the results of examinations by other financial regulatory authorities in terms of important findings, recommendations and management's response.

6. Independent Audit Plans. The Committee shall review and assess the overall scope and focus of the annual audit and any interim audits, including the scope and level of involvement with unaudited quarterly or other interim-period information.
7. Financial Reporting. The Committee shall review with management and the independent auditor (i) significant issues and risks that arise regarding accounting principles and financial statement presentation, including the adoption of new or material changes to existing critical accounting policies or the application of those policies, (ii) the potential effect of alternative accounting policies available under GAAP, (iii) the potential impact of regulatory and accounting initiatives and any other significant reporting issues and judgments and (iv) any analyses prepared by management or the independent auditor with regard to the foregoing and related auditor views.
8. Risk Assessment and Management. The Committee shall periodically review and assess the Company's guidelines and policies governing risk assessment, risk management and insurance.
9. Auditor Recommendations. The Committee shall review and assess important internal audit group and independent auditor recommendations on financial reporting, controls, other matters and management's response.
10. Changes in Accounting Principles, Regulatory or Legal Matters. The Committee shall review and discuss with the independent auditor any changes in important accounting principles, regulatory or legal matters that could have a material impact on the Company's financial statements and the application thereof in both annual and interim financial reports.
11. Required Communications. The Committee shall receive and review all required communications from the independent auditor.
12. Conflicts and Disagreements Between the Independent Auditor and Management. The Committee shall regularly review with the independent auditor, and ultimately resolve, any conflicts or disagreements between management and the independent auditor regarding financial reporting, accounting practices or policies, including (i) problems or difficulties the independent auditor encountered in the course of the audit work and (ii) any restrictions on the scope of the independent auditor's activities or access to requested information.
13. Proxy Statement Reports. The Committee shall prepare such reports regarding matters within the scope of the Committee's role and responsibilities as may be required to be included in the Company's annual proxy statement or other public filings under applicable rules and regulations.

14. Code of Ethical Conduct/Conflicts of Interest. The Committee shall review and assess, on an annual basis, the Company's code of ethical conduct and significant conflicts of interest and related-party transactions.
15. Complaints and Concerns. The Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish and maintain procedures for the confidential, anonymous submission by employees of the Company with respect to concerns regarding questionable accounting or auditing matters.
16. Audit Committee Charter. The Committee shall review, on an annual basis, the Audit Committee Charter and shall recommend any proposed changes for approval by the full Board.
17. Annual Performance Evaluation of the Audit Committee. The Committee shall review, discuss and assess at least annually its own performance as well as the role and responsibilities of the Committee, seeking input from senior management, the full Board and others. Changes in the role and/or responsibilities of the Committee as outlined in this Charter, if any, shall be recommended to the full Board for approval.

I hereby certify that the foregoing is a true and correct copy of Law Enforcement Associates Corporation Audit Committee Charter.

Law Enforcement Associates Corporation.

/s/ Paul Feldman  
Paul Feldman, President