

## **AXS-ONE INC.**

### **AUDIT COMMITTEE CHARTER**

#### **Purpose**

The Audit Committee is appointed by the Board of Directors (the “Board”) (1) to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (2) to assist the Board in carrying out the Board’s responsibility to monitor the Company’s compliance with legal and regulatory requirements related to the Company’s reporting of the results of its operations, (3) to monitor the Company’s independent auditor’s qualifications and independence, and (4) to monitor the performance of the Company’s internal audit function, if any, and independent auditors.

The Audit Committee shall prepare the report(s) required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement and other filings with the SEC.

#### **Committee Membership**

The Audit Committee shall consist of no fewer than three members. Each member of the Audit Committee shall meet the independence, experience and other applicable requirements of the American Stock Exchange (or other national securities exchange or other market on which the Common Stock of the Company is traded), Section 10A(m)(3), or any successor, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and all rules and regulations promulgated by the SEC. Each member of the Audit Committee shall be financially literate, as determined by the Board in its business judgment, and at least one member of the Committee shall, by virtue of education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or experience actively supervising such a person or overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements, or other relevant experience), be an “audit committee financial expert” as that term is defined by applicable law and regulations (including regulations of the national securities exchange or other market on which the Common Stock of the Company is traded).

The members of the Audit Committee shall be appointed by the Board for a one-year term subject to reappointment. Audit Committee members may be replaced by the Board. The Audit Committee or the Board may designate one member of the Committee as its Chairperson.

Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant, at the Company’s expense.

## **Committee Rules of Procedure**

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. Special meetings may be convened as the Audit Committee deems necessary or appropriate.

A majority of the members of the Audit Committee shall constitute a quorum to transact business. Members of the Audit Committee may participate in a meeting of the Committee by means of telephone conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Except in extraordinary circumstances as determined by a quorum of the Audit Committee, notice shall be delivered to all Committee members at least 24 hours in advance of the scheduled meeting. Minutes of each meeting will be kept and distributed to the Committee and, upon request, the entire Board.

The affirmative vote of a majority of the members of the Audit Committee present at the time of such vote will be required to approve any action of the Committee. Subject to the requirements of any applicable law, regulation or American Stock Exchange rule (or rule of any other national securities exchange or other market on which the Common Stock of the Company is traded), any action required or permitted to be taken at a meeting of the Audit Committee may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by all of the members of the Committee. Such written consent shall have the same force as a unanimous vote of the Committee.

## **Committee Authority and Responsibilities**

The Audit Committee shall have the sole authority for the appointment, compensation, oversight, termination and replacement of the Company's independent auditor (subject, if determined by the Audit Committee, to stockholder ratification), including resolution of disagreements between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and shall approve in advance all audit engagement fees and terms and all non-audit engagements with the independent auditors, but shall not approve any engagement with respect to those services set forth in Section 10A(g), or any successor, of the Exchange Act ("Restricted Non-Audit Services") except as permitted under Section 10A(h), or any successor, of the Exchange Act. The independent auditor shall report directly to the Audit Committee. The Audit Committee shall consult with management, but, except as expressly provided herein, shall not delegate these responsibilities.

In the event the Audit Committee approves any Restricted Non-Audit Services, such approval shall be disclosed as required under Section 13(a) of the Exchange Act. The Audit Committee shall establish guidelines for the retention of the independent auditor for any Restricted Non-Audit Services. The Audit Committee may designate to one or more of its members the authority to approve the performance of Restricted Non-Audit Services by the independent auditor where (i) such services are consistent with the guidelines established by the Committee, (ii) such services were not recognized by the Company at the time of the engagement to be Restricted Non-Audit Services and (iii) the aggregate amount of all such Restricted Non-Audit Services provided to the Company constitutes not more than 5% of the total amount paid by the

Company to the independent auditor during the fiscal year in which the Restricted Non-Audit Services are provided.

If any audit engagement fees or terms require approval prior to the next scheduled meeting of the Audit Committee, the Committee may delegate to one or more of its members the authority to pre-approve such audit engagement fees or terms, provided that such pre-approval shall be presented to the full Committee for its approval at its next scheduled meeting. Except as provided above with regard to the independent auditor, the Audit Committee may form and delegate authority to subcommittees to the extent the Committee deems necessary or appropriate.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate to carry out its responsibilities, to retain at the expense of the Company special legal, accounting or other consultants to advise the Committee. The Audit Committee shall have the sole authority to approve all fees and terms of engagement of such advisors. The Audit Committee may designate any member of the Committee to execute documents on its behalf as it deems necessary or appropriate to carry out its responsibilities hereunder.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee. The Audit Committee shall meet with management, the internal auditors, if any, and the independent auditor in separate executive sessions as often as the Committee determines, but not less frequently than annually. The Audit Committee may also, to the extent the Committee deems necessary or appropriate, meet with the Company's investment bankers or financial analysts who follow the Company.

The Audit Committee shall make regular reports to the Board and shall review with the Board any issues that arise with respect to (i) the quality or integrity of the Company's financial statements, (ii) the Company's compliance with legal or regulatory requirements that may have a material impact on the Company's financial statements, (iii) the performance and independence of the Company's independent auditors or (iv) the performance of the internal audit function, if any. In addition, the Audit Committee annually shall review its own performance.

The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed change to the Board for its approval. This Charter is in all respects subject and subordinate to the Company's certificate of incorporation and bylaws and the applicable provisions of the Delaware General Corporate Law.

In addition to the foregoing, the Audit Committee, to the extent it deems necessary or appropriate, shall:

#### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements, including the disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operation," prior to the filing of its Form 10-K, and report to the Board the results of the Committee's review.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements, and report to the Board the results of the Committee's review.
3. Discuss with management and the independent auditor, and resolve any disagreements between management and the independent auditor with respect to, significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
4. Review and discuss with management and the independent auditor any report of the independent auditor regarding (a) all critical accounting policies and practices to be used by the independent auditor, (b) alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, or (c) any other material written communications between the independent auditor and management, including any management letter or schedule of unadjusted differences.
5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as all financial information and earnings guidance provided to analysts and rating agencies.
6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
7. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
8. Review legal and regulatory matters that may have a material impact on the Company's financial statements, and all related compliance policies and programs. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies. Discuss with the Company's general counsel any legal matters that may have a material impact on the Company's financial statements.
9. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, or any successor, relating to the conduct of the audit. In particular, discuss:
  - (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors (if any) or management;

- (b) the management letter provided by the independent auditor and the Company's response to that letter; and
  - (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to request information, and any significant disagreements with management.
10. Monitor and review related party transactions as presented to the Committee by Company management and make recommendations to the Board of Directors regarding any such transactions.
  11. Approval of any significant deviations from current accounting policies and procedures as presented to the Committee by Company management or the independent auditor.
  12. Review the annual internal control report prepared or issued by the independent auditor.

#### Oversight of the Company's Relationship with the Independent Auditor

13. Review the experience and qualifications of the senior members of the independent auditor team.
14. Obtain and review a report from the independent auditor at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, 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 firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and its related entities and the Company and its related entities. The report shall in all respects satisfy the requirements of Independence Standards Board Standard No. 1 as then in effect (or any successor thereto). Discuss the report with the independent auditor, and evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. Take appropriate action to oversee the independence of the independent auditor.
15. Consider when, in order to comply with Section 10A(j), or any successor, of the Exchange Act and to assure continuing auditor independence, to rotate the lead audit partner, the audit partner responsible for reviewing the audit or the independent auditing firm itself.
16. Adopt and maintain policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
17. Obtain assurance from the independent auditor that each audit of the Company's financial statements has complied with the requirements of Section 10A, or any successor, of the Exchange Act.

18. Inquire and discuss with the independent auditor's partner(s) responsible for the Company's audit as to any quality assurance and SEC and GAAP compliance issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
19. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

#### Oversight of the Company's Internal Audit Function, if any

20. Review the appointment and replacement of the senior internal auditing executive.
21. Review the significant reports to management prepared by the internal auditing department and management's responses.
22. Discuss with the independent auditor the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

#### Whistleblower Policy Procedures

23. Establish and review periodically procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Initiate such action as the Audit Committee deems appropriate to address any specific complaint and, as appropriate, mitigate the possibility of future occurrences of the problem.

In addition to the activities described above, the Audit Committee will perform such other functions as necessary or appropriate in its opinion under applicable law, the Company's certificate or incorporation and bylaws, and the resolutions and other directives of the Board.

#### **Limitation of Audit Committee Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate, fairly present the information shown or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with any law, regulation or American Stock Exchange rule (or rule of any other national securities exchange or other market on which the Common Stock of the Company is traded), or the Company's Code of Conduct.

May 24, 2007