

**JOINT AUDIT COMMITTEE CHARTER**  
**OF THE**  
**VAN KAMPEN FUNDS**

**AS ADOPTED ON JULY 23, 2003<sup>1</sup>**

---

<sup>1</sup> This Joint Audit Committee Charter, adopted as of the date above, supercedes and replaces all prior versions that may have been adopted from time to time.

## 1. MISSION STATEMENT

The Audit Committee (the “Audit Committee”) is a committee of the Board of Trustees/Directors/Managing General Partners (referred to herein as the “Trustees” and collectively as the “Board”) of each Van Kampen Fund (each a “Fund”).<sup>2</sup> The purpose of the Audit Committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control over financial reporting and legal compliance functions of the Funds, including, without limitation, (a) assisting the Board’s oversight of (i) the integrity of the Fund’s financial statements, (ii) the Fund’s compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Fund’s independent auditors (the “Independent Auditors”) and (iv) the performance of the Fund’s internal audit function, and (b) making the statement by the Audit Committee pursuant to the rules of the Securities and Exchange Commission (the “SEC”) for inclusion in the Fund’s annual proxy statement, if any.

## 2. COMPOSITION

The Audit Committee shall be comprised of three or more Trustees of the Board. Audit Committee members shall be designated by the full Board, and the manner of selection of the Audit Committee chair shall also be designated by the full Board.

The duties and responsibilities of an Audit Committee member shall be in addition to those duties set out for a member of the Board. Audit Committee members shall undertake this commitment with the understanding that they are assuming additional responsibilities to prepare for, attend and actively participate in Audit Committee meetings. This may require members to undertake training covering their financial oversight responsibilities.

Each member of the Audit Committee shall be qualified to serve on the Audit Committee pursuant to the requirements of the Sarbanes-Oxley Act of 2002 (the

---

<sup>2</sup> This Joint Audit Committee Charter has been adopted by each Fund. Solely for the sake of clarity and simplicity, this Joint Audit Committee Charter has been drafted as if there is a single Fund, a single Audit Committee and a single Board. The terms “Audit Committee,” “Trustees” and “Board” mean the Audit Committee, Trustees and the Board of each Fund, respectively, unless the context otherwise requires. The Audit Committee, Trustees and the Board of each Fund, however, shall act separately and in the best interests of its respective Fund.

“Act”) and the rules and regulations promulgated by the SEC pursuant to the Act and any requirements and rules of the New York Stock Exchange (the “NYSE”), the American Stock Exchange (the “AMEX”) and/or the Chicago Stock Exchange (“CHX”) as applicable to the Fund. Each member of the Audit Committee shall be “independent” as defined by the Act and any rules and regulations promulgated by the SEC pursuant to the Act and any requirements and rules of the NYSE, AMEX and/or CHX as applicable to the Fund.

According to the rules and regulations promulgated by the SEC pursuant to the Act, a member is independent (an “Independent Trustee”) if he or she, other than in his or her capacity as a member of the Board, the Audit Committee or any other board committee, (a) does not accept directly or indirectly any consulting, advisory or other compensatory fee from the Fund, other than receipt of Trustee’s fees (including additional amounts, if any, paid to chairs of committees and committee members) and any pension or other forms of deferred compensation from the Fund for prior service, so long as such compensation is not contingent in any way on continued service, and (b) is not an “interested person” of the Fund as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”). [The requirements of the NYSE, AMEX and CHX are set forth in Appendix A hereto.]

Each member of the Audit Committee must be “financially literate” as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. In addition, at least one member of the Audit Committee must have “accounting or related financial management expertise” as the Board interprets such qualification in its business judgment. Further, either (a) at least one member of the Audit Committee must be determined to be an “audit committee financial expert” (as such term is defined in the rules and regulations promulgated by the SEC pursuant to the Act) by the Board, or (b) if no member of the Audit Committee is an “audit committee financial expert,” such fact must be disclosed in the Fund’s annual report filed with the SEC. The Audit Committee shall recommend to the Board whether one or more of its members should be deemed to be an “audit committee financial expert” or, if not, why not, and the Board shall make the final determinations in this regard.

No Trustee may serve as a member of the Audit Committee if such Trustee serves on the audit committee of more than two other public issuers, unless the Board determines that such simultaneous service would not impair the ability of such Trustee to serve effectively on the Audit Committee. Any such determination must be disclosed in the Fund’s annual proxy statement, if any.

### **3. MEETINGS OF THE AUDIT COMMITTEE**

The Audit Committee shall fix its own rules of procedure, which shall be consistent with the Fund's organizational documents and this Joint Audit Committee Charter. The Audit Committee shall meet on a regular basis and special meetings may be called as circumstances require. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall meet separately on a periodic basis with (a) the principal financial officer of the Fund and persons assisting with the preparation of the Fund's financial statements, (b) the internal auditors (or personnel responsible for the Fund's internal audit function) and (c) the Independent Auditors, in each case to discuss any matters that the Audit Committee or any of the above persons or firms believe should be discussed privately.

The Audit Committee shall cause to be maintained minutes of all meetings and records relating to those meetings and provide copies of such minutes to the Board and the Fund.

### **4. AUTHORITY**

The Audit Committee shall have the authority to carry out its duties and responsibilities as set forth in this Joint Audit Committee Charter.

### **5. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

In carrying out its duties and responsibilities, the Audit Committee's policies and procedures will remain flexible, so that it may be in a position to react or respond to changing circumstances or conditions. The following are the duties and responsibilities of the Audit Committee:

a. Oversight of the Auditor's Engagement/Independence

- i. Instruct the Independent Auditors that they are ultimately accountable to the Board and the Audit Committee, as the shareholders' representatives, and that the Audit Committee has the sole authority and responsibility to select (subject to ratification by a majority of the Independent Trustees of the Board), compensate, evaluate, and where appropriate terminate the Independent Auditors.
- ii. Approve the selection (subject to ratification by a majority of the Independent Trustees of the Board), compensation, evaluation and termination of the Independent Auditors to audit the books and accounts of the Fund and its subsidiaries, if any, for each fiscal year.
- iii. Review and, in its sole discretion, approve in advance the Independent Auditors' annual engagement letter, including the proposed fees contained therein.
- iv. Review and, in its sole discretion, pre-approve (A) all engagements for audit and non-audit services to be provided by the Independent Auditors to the Fund and (B) all engagements for non-audit services to be provided by the Independent Auditors (1) to the Fund's investment adviser(s) or (2) to any entity controlling, controlled by or under common control with the Fund's investment adviser(s) that provides ongoing services to the Fund; but in the case of the services described in subsection (B)(1) or (2), only if the engagement relates directly to the operations and financial reporting of the Fund (clauses (A) and (B), collectively, the "Covered Services" and the entities referred to in clause (B), collectively, the "Covered Entities"); provided that pre-approval by the Audit Committee of Covered Services be effected pursuant to the procedures described below in Section VI captioned "PRE-APPROVAL PROCEDURES"; and provided that this Joint Audit Committee Charter shall not be violated if pre-approval of any non-audit Covered Service is not obtained in circumstances in which the pre-approval requirement is waived under rules promulgated by the SEC under the Act or the NYSE or Amex listing standards.
- v. Obtain and review at least annually from the Independent Auditors a report describing:

- (1) the Independent Auditors' internal quality-control procedures;
  - (2) any material issues raised by the most recent internal quality-control review, or peer review, of the Independent Auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the Independent Auditors, and any steps taken to deal with any such issues; and
  - (3) all relationships between the Independent Auditor and the Fund.
- vi. Review at least annually the qualifications, performance and independence of the Independent Auditors, including the performance of the lead partner of the Independent Auditors, and, in its discretion, make decisions regarding the replacement or termination of the Independent Auditors when circumstances warrant.
- vii. Oversee the independence of the Independent Auditors by, among other things:
- (1) 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 taking appropriate action to satisfy itself of the auditor's independence;
  - (2) monitoring compliance by the Independent Auditors with the audit partner rotation requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder;
  - (3) monitoring compliance by the Fund, the Fund's investment adviser(s), the Fund's distributor and the Independent Auditors with the employee conflict of interest requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder;
  - (4) considering whether there should be a regular rotation

of the Independent Auditors; and

- (5) obtaining from the Independent Auditors and reviewing a complete description of all audit, management consulting, or other services performed for management or its affiliates, consistent with Independence Standards Board Standard I.

b. Oversight of Financial Statements and the Audit

- i. Review the annual audit plan of the Independent Auditors, including the scope of audit activities, monitor such plan's progress, changes thereto and results periodically during the year and review the results of the year-end audit of the Fund, including any comments or recommendations of the Independent Auditors.
- ii. Obtain and review at least annually for the Fund a report from the Independent Auditors describing:
  - (1) all critical accounting policies and practices used;
  - (2) all alternative treatments within United States generally accepted accounting principles for policies and practices related to material items that have been discussed with management of the Fund, including (1) ramifications of the use of such alternative disclosures and treatments, and (2) the treatment preferred by the Independent Auditors;
  - (3) other material written communications between the Independent Auditors and management of the Fund, such as any management letter or schedule of unadjusted differences; and
  - (4) all non-audit services provided to any entity in the Fund's investment company complex that were not pre-approved by the Fund's Audit Committee pursuant to the Fund's pre-approval procedures.
- iii. Review with the principal financial officer of the Fund and persons responsible for assisting with the preparation of the Fund's financial statements, internal audit (or management responsible for the Fund's internal audit function) and the

Independent Auditors, the following:

- (1) the Fund's annual audited financial statements and interim financial statements, and any major issues related thereto, including any significant matters arising in the preparation of the annual and interim financial statements;
- (2) critical accounting policies and such other accounting policies of the Fund as are deemed appropriate for review by the Audit Committee prior to any annual or interim filings with the SEC or other regulatory body, including any financial reporting issues which could have a material impact on the Fund's financial statements;
- (3) major issues regarding accounting principles and financial statements presentations, including (i) any significant changes in the Funds' selection or application of accounting principles, and (ii) any analyses prepared by management and/or the Independent Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the ramifications and effects of alternative generally accepted accounting principles methods on the Funds' financial statements;
- (4) the Funds' exposure to risk, as well as the Funds' major financial risk exposures and steps to control such exposures;
- (5) qualitative judgments made about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Funds and, particularly, about the degree of neutrality and objectivity of its accounting principles and underlying estimates;
- (6) any uncorrected misstatements whose effects management believes are immaterial, both individually and in the aggregate, to the financial statements taken as a whole;

- (7) procedures used to assess the representativeness of the valuations of securities provided by external pricing sources, particularly where such valuations are not based on prices last quoted in organized markets;
  - (8) for securities valued at “fair value” as determined in good faith under procedures established by the Board, inquire as to Independent Auditors’ conclusions as to the reasonableness of the “fair value” procedures, management’s adherence to such procedures, and the adequacy of supporting documentation for any valuation offered under the procedures;
  - (9) significant tax accounting policies elected by the Funds (including matters affecting qualification under Subchapter M of the Internal Revenue Code) and their effect on amounts distributed and reported to shareholders for Federal tax purposes;
  - (10) review with counsel legal and regulatory matters that may have a material effect on the Funds’ financial statements, related compliance policies and programs, and any reports received from regulators; and
  - (11) the effect of regulatory, accounting and financial reporting initiatives on the financial statements of the Fund.
- iv. Review on a regular basis with the Independent Auditors any problems or difficulties encountered by the Independent Auditors in the course of any audit work, including management’s response with respect thereto, any restrictions on the scope of the Independent Auditors’ activities or on access to requested information, and any significant disagreements with management. In connection therewith, the Audit Committee will review with the Independent Auditors the following:
- (1) any accounting adjustments that were noted or proposed by the Independent Auditors but were rejected by management (as immaterial or otherwise);
  - (2) any communications between the audit team and the Independent Auditors’ national office respecting auditing or accounting issues presented by the engagement;

and

- (3) any “management” or “internal control” letter issued, or proposed to be issued, by the Independent Auditors to the Fund.
- v. Attempt to resolve all disagreements between the Independent Auditors and management regarding financial reporting.
- vi. Review information obtained from the Independent Auditors pursuant to Section 10A of the Securities Exchange Act of 1934.

c. Oversight of Internal Control Over Financial Reporting

- i. Review periodically a report from the Fund’s principal executive officer, principal financial officer and Independent Auditors, at least annually, regarding the following:
  - (1) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting of the Fund, any entity in the investment company complex (as such term is defined in Regulation S-X promulgated by the SEC) that is responsible for the financial reporting or operations of the Fund (the “Related Entities”), or, to the knowledge of such persons, other service providers, which are reasonably likely to adversely affect the Fund’s ability to record, process, summarize, and report financial information, including any material weaknesses in internal control over financial reporting identified by the Independent Auditors;
  - (2) any fraud, whether or not material, that involves management or other employees of the Fund, the Related Entities, or, to the knowledge of such persons, other service providers to the Fund who have a significant role in the Fund’s internal control over financial reporting; and
  - (3) any change in the Fund’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund’s internal control over financial reporting.

d. Compliance

- i. Establish and maintain free and open means of communication between and among the Board, the Audit Committee, the Independent Auditors, internal auditors (or other personnel responsible for the internal audit function), the Fund's management, including the principal financial officer, management of the Fund's investment adviser(s), management of the Fund's distributor, and management of those service providers of the Fund deemed appropriate by the Audit Committee, including providing such parties with appropriate opportunities to meet separately and privately with the Audit Committee on a periodic basis as the Audit Committee may deem necessary or appropriate.
- ii. Establish procedures (by the earlier of: (1) the Fund's first annual meeting shareholders' meeting, if any, after January 15, 2004 or (2) October 31, 2004) for (A) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters, and (B) the confidential, anonymous submission by employees of the Related Entities, other service providers responsible for such services or other persons of concerns regarding questionable accounting or auditing matters.
- iii. Secure independent expert advice to the extent the Audit Committee determines it to be appropriate, including retaining, with or without approval of the Board, independent counsel, accountants, consultants or others, to assist the Audit Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Fund.
- iv. Discuss earnings press releases, if any, as well as financial information and earnings guidance provided to analysts and rating agencies, but this discussion may be general in nature (i.e., discussion of the type of information to be disclosed and the type of presentation to be made) and need not precede each earnings release or earnings guidance.

e. Miscellaneous

- i. Perform an annual performance evaluation of the Audit Com-

mittee, which evaluation shall compare the performance of the Audit Committee with the requirements of this Joint Audit Committee Charter and consider the goals and objectives of the Audit Committee for the upcoming year. The evaluation shall include a review and assessment of the adequacy of this Joint Audit Committee Charter and propose any changes for approval by the Board. The performance evaluation by the Audit Committee shall be conducted in such manner as the Audit Committee deems appropriate;

- ii. Report regularly to the Board on its activities, as appropriate; and
- iii. Perform such additional activities, and consider such other matters, within the scope of its duties and responsibilities, as the Audit Committee or the Board deems necessary or appropriate.

## **6. PRE-APPROVAL PROCEDURES**

The Audit Committee shall prepare written pre-approval procedures pursuant to which it may pre-approve Covered Services. The Audit Committee, in its discretion, may elect to delegate to one or more of its members authority to pre-approve non-audit services to the Fund and Covered Services between regularly scheduled meetings of the Audit Committee. Any such preapproval decision must be presented to the Committee at its next scheduled meeting. The Audit Committee shall review and approve its pre-approval procedures at least annually. The pre-approval procedures in effect from time-to-time shall be attached to this Joint Audit Committee Charter as Appendix B.

## **7. REPORTING**

The Audit Committee shall report its activities to the Board on a regular basis, so that the Board is kept informed of its activities on a current basis. In connection therewith, the Audit Committee will review with the Board any issues that arise with respect to the quality or integrity of the Fund's financial statements, the Fund's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditors, or the performance of the Fund's internal audit function. In particular, the Audit Committee will also report to the Board its conclusions or recommendations with respect to matters the Audit Committee considers to be of interest or the Board requests. Reports to the Board may take the

form of an oral report by the chairperson of the Audit Committee or any other member of the Audit Committee designed by the Audit Committee to make this report.

The Audit Committee shall make the statement required by the rules of the SEC to be included in the Fund's annual proxy statement, if any, and determine to its satisfaction that the Audit Committee has: (a) reviewed and discussed the audited financial statements with management of the Fund; (b) discussed with the Independent Auditors the matters required to be discussed by the Statements on Auditing Standards No. 61; (c) received the written disclosures and the letter from the Independent Auditors required by ISB Standard No. 1 and have discussed with the Independent Auditors the auditor's independence; and (d) made a recommendation to the Board as to whether the financial statements be included in the Fund's annual report for the past fiscal year, as filed with the SEC.

## **8. RESOURCES**

The Board shall ensure that the Audit Committee has adequate resources, as determined by the Audit Committee, with which to discharge its responsibilities, including for the payment of (a) compensation (i) to any firm of Independent Auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, and (ii) to any advisors employed by the Audit Committee, including independent counsel, consultants or other advisors, as the Audit Committee determines necessary to carry out its duties, and (b) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

## **9. LIMITS ON ROLE OF AUDIT COMMITTEE**

While the Audit Committee has the duties and responsibilities set forth in this Joint Audit Committee Charter, the Audit Committee is not responsible for:

- planning or conducting the audit or for determining whether the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles;
- determining whether the Form N-CSR filed by the Fund with the SEC contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

- determining whether the Fund’s financial statements and other financial information included in the Form N-CSR fairly present in all material respects the financial condition, results of operations, changes in net assets and cash flows of the Fund as of, and for, the periods presented in the Form N-CSR; or
- establishing or maintaining disclosure controls and procedures and internal control over financial reporting for the Fund.

In fulfilling its responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Fund or the Fund’s investment adviser(s) or the Fund’s distributor. The Audit Committee and its members do not have a duty or responsibility to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (a) the integrity of those persons and organizations within and outside the Fund, the Fund’s investment adviser(s), the Fund’s distributor and service providers to the Fund from which it receives information, (b) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (c) statements made by management or third parties as to any information technology, internal audit and other non-audit services provided by the Independent Auditors to the Fund.

**NYSE/AMEX/CHX Independence Requirements**

Current NYSE Independence Requirements

303.01 Audit Committee

(B) Requirements for a Qualified Audit Committee.

(2) Composition/Expertise Requirement of Audit Committee Members.

(a) Each audit committee shall consist of at least three directors, all of whom have no relationship to the company that may interfere with the exercise of their independence from management and the company (“Independent”);

(3) Independence Requirement of Audit Committee Members. In addition to the definition of Independent provided above in (2)(a), the following restrictions shall apply to every audit committee member:

(a) Employees. A director who is an employee (including non-employee executive officers) of the company or any of its affiliates may not serve on the audit committee until three years following the termination of his or her employment. In the event the employment relationship is with a former parent or predecessor of the company, the director could serve on the audit committee after three years following the termination of the relationship between the company and the former parent or predecessor.

(b) Business Relationship. A director (i) who is a partner, controlling shareholder, or executive officer of an organization that has a business relationship with the company, or (ii) who has a direct business relationship with the company (e.g., a consultant) may serve on the audit committee only if the company’s Board of Directors determines in its business judgment that the relationship does not interfere with the director’s exercise of independent judgment. In making a determination regarding the independence of a director pursuant to this paragraph, the Board of Directors should consider, among other things, the materiality of the relationship to the company, to the director, and, if applicable, to the organization with which the director is affiliated.

“Business relationships” can include commercial, industrial, banking, consulting, legal, accounting and other relationships. A director can have this relationship directly with the company, or the director can be a partner, officer or employee of an organization that has such a relationship. The director may serve on the audit

committee without the above-referenced Board of Directors' determination after three years following the termination of, as applicable, either (1) the relationship between the organization with which the director is affiliated and the company, (2) the relationship between the director and his or her partnership status, shareholder interest or executive officer position, or (3) the direct business relationship between the director and the company.

(c) **Cross Compensation Committee Link.** A director who is employed as an executive of another corporation where any of the company's executives serve on that corporation's compensation committee may not serve on the audit committee.

(d) **Immediate Family.** A director who is an Immediate Family member of an individual who is an executive officer of the company or any of its affiliates cannot serve on the audit committee until three years following the termination of such employment relationship. See para.303.02 for definition of "Immediate Family".

#### Proposed NYSE Independence Requirements

303A(2): In order to tighten the definition of "independent director" for purposes of these standards:

(a) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Companies must disclose these determinations.

*Commentary:* It is not possible to anticipate, or explicitly to provide for, all circumstances that might signal potential conflicts of interest, or that might bear on the materiality of a director's relationship to a listed company. Accordingly, it is best that boards making "independence" determinations broadly consider all relevant facts and circumstances. In particular, when assessing the materiality of a director's relationship with the company, the board should consider the issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. However, as the concern is independence from management, the Exchange does not view ownership of even a significant amount of stock, by itself, as a bar to an independence finding. Of course in no event can any current employee of the listed company be deemed independent of management.

The basis for a board determination that a relationship is not material must be disclosed in the company's annual proxy statement or, if the company does not file

an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC. In this regard, a board may adopt and disclose categorical standards to assist it in making determinations of independence and may make a general disclosure if a director meets these standards. Any determination of independence for a director who does not meet these standards must be specifically explained. A company must disclose any standard it adopts. It may then make the general statement that the independent directors meet the standards set by the board without detailing particular aspects of the immaterial relationships between individual directors and the company (except where there is a presumption of non-independence, as described in the commentary to Section 303A(2)(b)). In the event that a director with a business or other relationship that does not fit within the disclosed standards is determined to be independent, a board must disclose the basis for its determination in the manner described above. This approach provides investors with an adequate means of assessing the quality of a board's independence and its independence determinations while avoiding excessive disclosure of immaterial relationships.

(b) In addition:

(i) A director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is presumed not to be independent until five years after he or she ceases to receive more than \$100,000 per year in such compensation.

*Commentary:* A listed company's board may negate this presumption with respect to a director if the board determines (and no independent director dissents) that, based upon the relevant facts and circumstances, such compensatory relationship is not material. Any affirmative determination of independence made by the board in these circumstances must be specifically explained in the listed company's proxy statement, or, if the company does not file a proxy statement, in the company's annual report filed on Form 10-K with the SEC, and cannot be covered by a categorical standard adopted in accordance with the commentary to Section 303A(2)(a). Compensation received by a director for former service as an interim Chairman or CEO does not need to be considered as a factor by a board in determining independence under this presumption. If a person who received more than \$100,000 per year in direct compensation from a listed company dies or becomes incapacitated, the presumption of non-independence applicable to his or her immediate family members will cease immediately upon such death or determination of incapacity.

(ii) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or

former internal or external auditor of the company is not “independent” until five years after the end of either the affiliation or the auditing relationship.

(iii) A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company’s present executives serves on that company’s compensation committee is not “independent” until five years after the end of such service or the employment relationship.

(iv) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of another company (A) that accounts for at least 2% or \$1 million, whichever is greater, of the listed company’s consolidated gross revenues, or (B) for which the listed company accounts for at least 2% or \$1 million, whichever is greater, of such other company’s consolidated gross revenues, in each case is not “independent” until five years after falling below such threshold.

*Commentary to Section 303A(2)(b):* An “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.

*Transition Rule.* During the five years immediately following [insert the effective date of this listing standard], each five year “look back” period referenced in sub-paragraphs (b)(i) through (b)(iv) shall instead be the period since [insert effective date of this listing standard]. For example, if a director received in excess of \$100,000 per year in direct compensation from a listed company during the year prior to [insert effective date of this listing standard], there will be no required presumption that the director is not independent unless such compensatory relationship extended past [insert effective date of this listing standard].

#### Current AMEX Independence Requirements

#### Sec. 121, INDEPENDENT DIRECTORS AND AUDIT COMMITTEE

##### A. Independent Directors:

The Exchange requires that domestic listed companies have a sufficient number of independent directors on the company’s board of directors to satisfy the audit committee requirement set forth below. Independent directors are not officers of the company and are, in the view of the company’s board of directors, free of any relationship that would interfere with the exercise of independent judgment. The following persons shall not be considered independent:

- (a) a director who is employed by the corporation or any of its affiliates for the current year or any of the past three years;
- (b) a director who accepts any compensation from the corporation or any of its affiliates in excess of \$60,000 during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (c) a director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the corporation or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home;
- (d) a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation's securities) that exceed 5% of the corporation's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years;
- (e) a director who is employed as an executive of another entity where any of the company's executives serve on that entity's compensation committee.

### Proposed AMEX Independence Requirements

#### Sec. 121, INDEPENDENT DIRECTORS AND AUDIT COMMITTEE

##### A. Independent Directors:

Each listed company must have a sufficient number of independent directors on its Board of Directors (a) such that at least a majority of such directors are independent directors (subject to the exceptions set forth in Section 801 and, with respect to small business filers, Section 121B(2)(c)), and (b) to satisfy the audit committee requirement set forth below. "Independent director" means a person other than an officer or employee of the company or its subsidiaries. No director qualifies as independent unless the Board of Directors affirmatively determines that the director does not have a material relationship with the listed company that would interfere with the exercise of independent judgment. In addition, audit committee members must also comply with the requirements set forth in paragraph B(2) below. The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company or by any parent or subsidiary of the company; \*

(b) a director who accepts or has an immediate family member who accepts any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during the current or previous fiscal year, other than compensation for board service, payments arising solely from investments in the company's securities, compensation paid to an immediate family member who is an employee of the company or a parent or subsidiary of the company (but not if such person is an executive officer of the company or any parent or subsidiary of the company), or benefits under a tax-qualified retirement plan, or non-discretionary compensation; \*

(c) a director who is an immediate family member of an individual who is, or has been in any of the past three years, employed by the company or any parent or subsidiary of the company as an executive officer; \*

(d) a director who is a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities) that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years; \*

(e) a director of the listed company who is employed as an executive officer of another entity where any of the listed company's executive officers serve on that entity's compensation committee;

(f) a director who is or was a partner or employee of the company's outside auditor, and worked on the company's audit engagement, during the past three fiscal years.\*

\* During the three years immediately following [insert effective date of rule change] the applicable "look back" period shall be the period since [insert effective date of the rule change] for independent directors who are not members of the Audit Committee.

B. Audit Committee:

(2) Composition

(a) Each issuer must have, and certify that it has and will continue to have, an Audit Committee of at least three members, each of whom:

(i) satisfies the independence standards specified in Section 121A and Rule 10A-3 under the Securities Exchange Act of 1934;

Sec. 803. INDEPENDENT DIRECTORS AND AUDIT COMMITTEE

(a) No security is eligible for listing unless the issuer is in compliance with the audit committee requirements of Rule 10A-3 under the Securities Exchange Act of 1934, subject to an opportunity to cure any defects thereof in accordance with the procedures set forth in Section 1009 and Part 12. If a member of the issuer's audit committee ceases to be independent in accordance with the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (and the corresponding provisions of Section 121B(2)(a)(i)) for reasons outside the member's reasonable control, that person, with notice to the Exchange, may remain an audit committee member of the issuer until the earlier of the next annual shareholders meeting of the issuer or one year from the occurrence of the event that caused the member to be no longer independent. The text of Rule 10A-3 under the Securities Exchange Act of 1934 is reproduced in Commentary .01.

(b) A listed issuer must notify the Exchange promptly after an executive officer of the issuer becomes aware of any material noncompliance by the listed issuer with the requirements of paragraph (a).

(c) Any notification required pursuant to paragraphs (a) or (b) should be provided to the Exchange's Listing Qualifications Department at (212) 306-1331 (telephone), (212)-306-5325 (facsimile).

(d) The requirements of paragraphs (a) and (b) are operative as of

(i) July 31, 2005 for foreign private issuers and small business issuers (as defined in Rule 12b-2 under the Securities Exchange Act of 1934); or

(ii) for all other listed issuers, the earlier of the listed issuer's first annual shareholders meeting after January 15, 2004 or October 31, 2004.

Current CHX Independence Requirements

RULE 19. The following Rule 19 applies only to Tier I issuers:

(d) Each listed company shall establish and maintain an Audit Committee, a majority of the members of which shall be independent directors, as defined below.

(e) Each listed company shall maintain a minimum of two independent directors on its board of directors. For purposes of this section, “independent director” shall mean a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

RULE 21. The following Rule 21 applies only to Tier II issuers:

(1) Each listed company shall establish and maintain an Audit Committee, a majority of the members of which shall be independent directors.

(2) Each listed company shall maintain a minimum of two independent directors on its board of directors. For purposes of this section, “independent director” shall mean a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.