

**TWINLAB CONSOLIDATED HOLDINGS, INC.**  
**AUDIT COMMITTEE CHARTER**

**Purpose**

The Board of Directors has appointed the Audit Committee (the “Committee”) to assist the Board in fulfilling its duties with respect to accounting, auditing, financial reporting, internal control, and legal compliance. The Committee oversees management and the independent auditors in Twinlab Consolidated Holdings, Inc. (“Twinlab”) accounting and financial reporting processes and audits of Twinlab’s financial statements. The Committee serves as a focal point for communication among the Board, the independent auditors, the internal auditor and management with regard to accounting, reporting, and internal controls. The Committee also serves as the Audit Committee of the Board of Directors of Twinlab.

The Committee represents the Board in oversight of:

- the integrity of the financial reports and other financial information disclosed by Twinlab;
- Twinlab’s systems of disclosure controls and procedures and internal controls over financial reporting;
- legal compliance and the establishment of a code of ethics;
- independence and performance of Twinlab’s independent auditors (who are ultimately responsible to the Board of Directors and the Audit Committee);
- Twinlab’s auditing, accounting and financial reporting processes generally;
- Twinlab’s risk management and loan review functions; and
- compliance with orders, agreements, understandings, resolutions or similar commitments or with regulatory agencies with authority over Twinlab.

**Membership**

**Number & Independence**

The Committee shall be composed of two or more directors appointed by the Board of Directors, one of whom shall be designated by the Board of Directors as the Chair. Membership on the Audit Committee will be reviewed and approved by the Board each year, which will also designate the chair of the committee. Each member of the committee, including the chair, serves at the pleasure of the Board. Each member of the Committee shall be independent of the management of the Twinlab and free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgment as a Committee member. Each member of the Committee shall be an “Independent Director” as defined by

Nasdaq Listing Rules and as required under rules and regulations of the United States Securities and Exchange Commission (“SEC”).

A director may not be a member of the Audit Committee if he or she participated in the preparation of the financial statements of Twinlab or any current subsidiary of Twinlab at any time during the past three years.

### **Knowledge and Experience of All Members**

Each member of the Committee must be able to read and understand fundamental financial statements, including Twinlab’s balance sheet, income statement, and cash flow statement.

### **Audit Committee Financial Expert**

At least one member of the Committee must be a person whom the Board has determined has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication and is an “audit committee financial expert” as that term is defined by applicable regulations of the SEC.

### **Meetings**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the independent auditors in separate sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Committee will keep minutes, make regular reports to the Board of Directors and propose any necessary action to the Board of Directors. The Committee will review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board of Directors for approval. The Committee will periodically evaluate the Committee’s own performance and present its performance evaluation to the Board of Directors.

### **Authority and Responsibilities**

#### **In General**

The Committee has the full power and authority to perform the responsibilities of a public company Audit Committee under applicable law, regulations, stock exchange listing standards, generally accepted accounting principles, and public company custom and practice.

The Committee has authority and responsibility to:

1. Meet with the independent external auditors and management to review the scope of each annual audit and audit procedures to be utilized.

2. Review significant accounting and reporting issues, including complex or unusual transactions and situations involving estimates or application of accounting principles that are highly dependent on management's judgment and/or interpretation, recent professional and regulatory pronouncements, and understand their impact on the finance statements.
3. Review the financial statements, periodic reports and other financial information that Twinlab files with the SEC or distributes to the public.
4. Review and discuss with management and the independent auditors of Twinlab's annual audited financial statements and related notes to be included in the Annual Report on Form 10-K and annual report to shareholders, Twinlab's quarterly unaudited financial statements and related notes to be included in the Quarterly Report on Form 10-Q before they are filed with the SEC.
5. Review with management annual and quarterly earnings press releases and Form 8-K filed to report material non-public information regarding Twinlab's results of operations or financial condition for each annual or quarterly fiscal period.
6. Consider and approve, if appropriate, major changes to Twinlab's auditing and accounting principles and practices as suggested by the independent auditors, or management.
7. Approve the Audit Committee's report required by the rules of the SEC to be included in Twinlab's annual proxy statement.
8. Review with management Twinlab's strategies, systems and policies for identifying, evaluating and mitigating risk.
9. Following completion of the annual audit, review separately with management and the independent auditors any significant difficulties encountered during the course of the annual audit, including any restrictions on the scope of work or access to required information.
10. Review and reassess the Audit Committee's charter periodically and evaluate whether all responsibilities outlined in this charter have been carried out.
11. Evaluate the Audit Committee and individual members' performance and effectiveness.
12. Review and approve all transactions between Twinlab and related persons which are required to be reported under SEC Regulation S-K Item 404.
13. Periodically consult with the independent auditors out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.

The Committee also has and will have any additional powers, authority and responsibilities which are delegated to the Committee by the Board of Directors. The powers, authorities and responsibilities of the Committee which relate to specific laws, regulations and rules shall continue and apply to any applicable successor or amended laws, regulations and rules. The Committee may establish subcommittees of the Committee and delegate authority and responsibility to subcommittees or any individual member of the Committee.

### **Independent Auditors**

The Committee has direct authority and responsibility for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of issuing an audit report and performing other audit, review or attestation services for Twinlab. The Committee is also directly responsible for the resolution of disagreements between management and the independent auditors regarding financial reporting. Independent auditors report directly to the Committee.

The Committee shall review the independence, effectiveness and objectivity of the independent auditors of Twinlab at least annually. To further ensure independence the audit committee will generally limit the number of audits the respective firm may perform to five (5) years. If the Committee determines the incumbent firm is performing at a high level, remains independent and should continue beyond the five-year limitation, the partner in charge will not be allowed to exceed five (5) years of service as part of the Twinlabs engagement.

The Committee has direct authority and responsibility to oversee the independence of the independent auditor. The Committee shall require receipt of, and shall review, a formal written statement of the independent auditors delineating all relationships between the independent auditor and Twinlab, consistent with the Standards of the Independence Standards Board. The Committee shall discuss with the independent auditor the independent auditor's independence, including a discussion of any disclosed relationships or services that may impact the objectivity and independence of the independent auditor. If the Committee is not satisfied with the independent auditors' assurances of independence, it shall take or recommend to the full Board appropriate action to ensure the independence of the independent auditors.

No independent auditor may provide audit services to the Twinlab if:

- The lead (or coordinating) audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for Twinlab in each of the five previous fiscal years of Twinlab.
- If Twinlab's chief executive officer, controller, chief financial officer, chief accounting officer or any person serving in an equivalent position for Twinlab was employed by such independent auditor and participated in any capacity in the audit of Twinlab during the one-year period preceding the date of the initiation of the audit.

The Committee shall require and review reports from the independent auditors that address the following:

- Critical accounting policies and practices to be used.
- Alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of Twinlab, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
- Other material written communications between the independent auditors and the management of Twinlab, including any management letters or schedules of unadjusted differences.
- Attestation on management's assessment of Twinlab's internal control over financial reporting.

The Committee shall discuss with the independent auditors the matters required to be discussed by applicable legal, regulatory, and stock exchange listing rule requirements relating to the conduct of the audit and any qualifications in the independent auditors' audit opinion.

### **Approval of Audit & Non-Audit Services**

The Committee has direct authority and responsibility to pre-approve all audit and permissible non-audit services provided to Twinlab by Twinlab's independent auditors.

The Committee may establish policies and procedures for pre-approving audit and permissible non-audit services by the independent auditors. All pre-approvals of audit and permissible non-audit services granted by the Committee shall be reasonably detailed as to the particular services to be provided and shall not result in the delegation of the Committee's preapproval responsibilities to management. Pre-approvals of services granted by the Committee must not use monetary limits as the only basis for pre-approval and must not provide for broad categorical approvals. Any pre-approval policies or practices adopted by the Committee must be designed to ensure that the Committee knows what particular services it is being asked to preapprove so that it can make a well-reasoned assessment of the impact of the service on the independent auditors' independence.

The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of permissible non-audit services. The decisions of any Committee member to whom authority is delegated under this paragraph to pre-approve permissible non-audit services shall be reported to the full Committee.

Non-audit services provided by Twinlab's independent auditors shall not include any of the following:

- Bookkeeping or other services related to the accounting records or financial statements of Twinlab;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions or human resources;
- Broker-dealer, investment adviser, or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other service that the Public Corporation Accounting Oversight Board determines, by regulation, is impermissible.

## **Risk Management**

The Committee has authority and responsibility to oversee Twinlab's risk management functions of Twinlab. Specifically, the Committee has the authority and responsibility to:

- Oversee each function, including its personnel, resources, organizational structure, and relationship to Twinlab's overall business objectives.
- Review the independence of the officers responsible for each function.
- Inquire into whether the officers responsible for each function have sufficient authority, support, resources, and the necessary access to Twinlab personnel, facilities and records to carry out their work.
- Review reports of significant findings and recommendations and management's corrective action plans.
- Establish and maintain channels for the officers responsible for each function to communicate directly with the Committee.
- Review the performance of the officers responsible for each function.
- Appoint, compensate and retain outside internal auditors if the Committee determined outside internal auditors are appropriate.

## **Code of Ethics**

The Committee has the authority and responsibility to adopt and maintain a code of ethics for senior officers of Twinlab, including the chief executive officer, chief financial officer, principal accounting officers and persons performing similar functions. The Committee should periodically review the systems established by management to enforce this code and periodically review management's monitoring of Twinlab's compliance with ethical codes to evaluate whether management has the proper review system in place to confirm that Twinlab's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements. Any waivers of the code for directors or executive officers shall be evaluated by the Committee and submitted to the Board for consideration.

## **Procedures for Handling Complaints**

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Twinlab regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of Twinlab of concerns regarding questionable accounting or auditing matters, including the following:

- Fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of Twinlab;
- Fraud or deliberate error in the recording and maintaining of financial records of Twinlab;
- Deficiencies in or noncompliance with Twinlab's internal accounting controls;
- Misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Twinlab; or
- Deviation from full and fair reporting of Twinlab's financial condition. The Committee has the authority to investigate and, if necessary, retain outside experts with respect to any such complaints or concerns that may be brought to the attention of the Committee.

## **Funding**

The Committee shall provide for appropriate funding as determined by the Committee for the payment of any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Twinlab and to any other advisors employed by the Committee. In addition, Twinlab shall provide appropriate funding for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Internal Control Over Financial Reporting**

The Committee shall oversee Twinlab's management in establishing policies and procedures that will provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Twinlab;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Twinlab are being made only in accordance with authorizations of management and directors of Twinlab; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Twinlab's assets that could have a material effect on the financial statements.

## **Management's Internal Control Report**

The Committee shall receive and review management's internal control report to be included in Twinlab's Annual Report to Shareholders. This report shall contain:

- A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for Twinlab;
- A statement identifying the framework used by management to conduct the required evaluation of the effectiveness of Twinlab's internal control over financial reporting;
- Management's assessment of the effectiveness of Twinlab's internal control over financial reporting as of the end of Twinlab's most recent fiscal year, including a statement as to whether or not Twinlab's internal control over financial reporting is effective;
- The assessment must include disclosure of any material weaknesses in Twinlab's internal control over financial reporting identified by management. Management is not permitted to conclude that Twinlab's internal control over financial reporting is effective if there are one or more material weaknesses in Twinlab's internal control over financial reporting; and
- A statement that the independent auditors that audited the financial statements included in the annual report has issued an attestation report on management's assessment of Twinlab's internal control over financial reporting.



## **Advisors**

The Committee has authority to engage consultants, advisors and legal counsel at the expense of the Company. The Committee has authority to approve contracts with and payment of fees and other compensation of consultants, advisors and legal counsel. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any consultants, advisors or legal counsel employed by the Committee and ordinary administrative expenses of the Committee.

## **Scope of Responsibility**

The Committee and its members have the duties and responsibilities expressly stated in this Charter or imposed by law. It is not the duty of the Committee to plan or conduct audits or to determine that Twinlab's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; these are the responsibilities of management and the independent auditors.

These duties and responsibilities of a member of the Committee are in addition to those duties applicable to all members of the Board of Directors. It is not the duty of the Committee to conduct investigations or to ensure compliance with laws and regulations. In discharging his or her duties, each member of the Committee is entitled to rely on financial statements, financial data information, opinions, reports and statements, prepared or presented by officers, employees, consultants, advisors, legal counsel, accountants, and other persons he or she reasonably believes to be reliable and competent in the matters presented.