

**FRIENDFINDER NETWORKS INC.**  
**AUDIT COMMITTEE CHARTER**

**I. PURPOSE**

The audit committee (the “Audit Committee”) is a committee of the board of directors (the “Board of Directors”) of FriendFinder Networks Inc (including its subsidiaries where the context permits, the “Company”). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities by overseeing the accounting and financial processes of the Company and the audits of the financial statements of the Company. The registered independent public accounting firm(s) (singly, an “Independent Auditor” and collectively, “Independent Auditors”) performing the audit work, is ultimately accountable to the Audit Committee, as representatives of the stockholder(s). The Audit Committee has the ultimate authority and direct responsibility for the selection, appointment, compensation, retention and oversight of the work of the Company's Independent Auditor that is engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including the resolution of disagreements between management and the Independent Auditors regarding financial reporting). The Independent Auditor must report directly to the Audit Committee.

**II. COMPOSITION OF THE AUDIT COMMITTEE**

The 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, as determined by the Board of Directors. Each member of the Audit Committee shall (i) meet the independence requirements set forth in Rule 5605 of the qualitative listing requirements for Nasdaq National Market issuers promulgated by the National Association of Securities Dealers, as applicable, and as may be modified or supplemented, as well as qualify as independent directors under Rule 10A-3, including that each member of the Audit Committee is not an “affiliate” of the Company or any subsidiary of the Company, under the Securities Exchange Act of 1934, as amended, and (ii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Members of the Audit Committee must not accept any consulting, advisory, or other compensatory fee from the Company other than for service on the Board of Directors, and they must not be an affiliated person of the Company. Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall have 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, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The members of the Audit Committee shall be appointed by the Board of Directors based on nominations recommended by the Governance and Nominating Committee of the

Board of Directors and shall serve for such term or terms as the Board of Directors may determine. Unless a chair of the Audit Committee (the “Chair”) is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership. The duties and responsibilities of a member of the Audit Committee are in addition to those duties of such member as a member of the Board of Directors.

The names of the members of the Audit Committee shall be disclosed in the Company’s annual reports (each, an “Annual Report” and collectively, the “Annual Reports”).

### **III. CONTINUOUS ACTIVITIES – GENERAL**

The Audit Committee shall:

1. Provide an open avenue of communication between the Independent Auditor and the Company officer handling the internal audit function (the “Internal Audit Officer”) of the Company, whose appointment the Audit Committee shall review as necessary, and the Board of Directors.

2. Meet four times per year, or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The Audit Committee shall meet separately and periodically with management, with the Independent Auditor, and with the Internal Audit Officer, as well as in executive session at least twice a year.

3. Take appropriate steps to confirm the independence of the Independent Auditor. With respect to the independence of the Independent Auditor, the Audit Committee shall:

(a) Ensure that the Independent Auditor submits, prior to the Independent Auditor entering the engagement period with the Company, a formal written statement regarding the Independent Auditor’s independence from the Company, consistent with Public Company Accounting Oversight Board Ethics and Independence Rule 3526, as may be modified or supplemented;

(b) Actively engage in a dialogue with the Independent Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditor and, based on such inquiries, assess the independence of the Independent Auditor; and

(c) Take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the Independent Auditor.

4. Instruct the Independent Auditor that the Audit Committee is the Independent Auditor's client.

5. Review with the Independent Auditor and the Internal Audit Officer the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

6. Inquire of management, the Independent Auditor and the Internal Audit Officer about significant risks or exposures and assess the steps management has taken to minimize such risk to the Company.
7. Review and discuss with the Company's Chief Executive Officer, Chief Financial Officer, management, the Internal Audit Officer and the Independent Auditor the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
8. Consider and review with the Independent Auditor and the Internal Audit Officer:
  - (a) The adequacy of the Company's internal controls including computerized information system controls and security together with the Chief Executive Officer, Chief Financial Officer and management; and
  - (b) Related findings and recommendations of the Independent Auditor and the Internal Audit Officer together with management's responses.
9. Consider and review with management, the Internal Audit Officer and/or, as appropriate, the Independent Auditor:
  - (a) Significant findings during the year, including the status of previous audit recommendations;
  - (b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information;
  - (c) Any changes required in the planned scope of the internal audit plan; and
  - (d) The budget and staffing for the internal audit function.
10. Resolve any disagreements between management and the Independent Auditors regarding the Company's financial reporting.
11. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit Committee shall be responsible for reviewing and resolving any such complaints regarding accounting, internal accounting controls or auditing matters received pursuant to such procedures.

12. Review and discuss any reports concerning material violations submitted to it by Company attorneys or outside counsel pursuant to the United States Securities and Exchange Commission (“SEC”) attorney professional responsibility rules.

13. Report periodically to the Board of Directors on significant results of the foregoing activities.

#### **IV. CONTINUOUS ACTIVITIES -- REPORTING SPECIFIC POLICIES**

The Audit Committee shall:

1. Advise financial management and the Independent Auditor that they are expected to provide a timely analysis of significant current financial reporting issues and practices including the following:

(a) Selection of new or changes to accounting policies;

(b) Estimates, judgments and uncertainties;

(c) Unusual transactions; and

(d) Accounting policies relating to significant financial statement items, including the timing of transactions and the period in which they were recorded.

2. Provide that financial management and the Independent Auditor discuss with the Audit Committee their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by management and, particularly, about the degree of aggressiveness or conservatism, as the case may be of its accounting principles and underlying estimates.

3. Report periodically to the Board of Directors on significant results of the foregoing activities.

#### **V. SCHEDULED ACTIVITIES**

The Audit Committee shall:

1. Select and appoint the Independent Auditor for the Company, review and approve the compensation of the Independent Auditor, evaluate the performance of and discharge, if appropriate, the Independent Auditor. The Audit Committee also shall pre-approve all audit related and permitted non-audit fees to be paid to the Independent Auditors in accordance with pre-approval policies adopted by the Audit Committee, which pre-approval authority may be delegated, in the discretion of the Audit Committee, to one or more of its members, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting.

2. Discuss with the Independent Auditor and the Internal Audit Officer the audit scope and plan of the Independent Auditor and the internal auditors.

3. Obtain from the Independent Auditors in connection with any audit a timely report relating to the Company's audited financial statements describing all critical accounting policies and practices used, all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors, and any material written communications between the Independent Auditors and management, such as any "management" letter or schedule of unadjusted differences.
4. Review and discuss with management and the Independent Auditor the results of the quarterly financial statements and annual audit of the Company's financial statements.
5. Review and discuss with management the Company's earnings releases.
6. Review and discuss management's annual assessment of the effectiveness of the internal controls with management, the Chief Executive Officer, the Chief Financial Officer, the Independent Auditor and the Internal Audit Officer.
7. Review annual filings with the SEC and other published documents containing the Company's financial statements and related financial information set forth therein, including related disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Critical Accounting Policies" to be included in the Company's Annual Report on Form 10-K, and make a recommendation to the Board of Directors as to whether or not the audited financial statements shall be included in the Company's Annual Report on Form 10-K for filing with the SEC, before such Annual Report is released to the public or filed with the SEC.
8. Review the periodic and other interim financial reports with management, the Independent Auditor and the Internal Audit Officer, including any financial statements, notes to financial statements and related disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Critical Accounting Policies" to be included in the reports to be filed with the SEC, before those interim reports are released to the public or filed with the SEC or other regulators.
9. Review any policies of the Company relating to compliance with the federal securities laws and rules relating to financial record keeping and accounting.
10. Describe in the Company's annual proxy statement the Audit Committee's composition and responsibilities, and such other matters related to the Audit Committee as may be required by the applicable rules of the SEC.
11. Include a report in the Company's annual proxy statement stating whether:
  - (a) The Audit Committee reviewed and discussed with management and the Independent Auditors the Company's internal control over financial reporting;
  - (b) The Audit Committee reviewed and discussed with management and the Independent Auditors the Company's audited consolidated financial statements;

(c) The Audit Committee has discussed with the Independent Auditors the matters required to be discussed by SAS 61, as amended by SAS 90, as may be modified or supplemented;

(d) The Audit Committee has received the written disclosures and the letter from the Independent Auditor required by the Public Company Accounting Oversight Board Rule 3526, as may be modified or supplemented, has discussed with the Independent Auditor the Independent Auditor's independence and has considered whether the provision of non-audit services to the Company is compatible with the independence of the auditors; and

(e) Based on the review and discussions referred to in paragraphs 11(a) through 11(d), the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

12. Arrange for the Independent Auditor to be available to the full Board of Directors at least annually to help provide a basis for the Board of Directors to recommend the appointment of the Independent Auditor.

13. Review and reassess the adequacy of this Audit Committee charter (the "Charter") at least annually and recommend, if appropriate, any changes to the Board of Directors.

14. Include for public disclosure the Audit Committee Charter as part of the Company's proxy statement at least once every three years.

## **VI. "WHEN NECESSARY" ACTIVITIES**

As may be necessary, the Audit Committee:

1. Shall review and approve requests for any management consulting engagement in connection with the proposed correction of a deficiency in, or improvement of, a functional area of the Company to be performed by the Independent Auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.

2. Shall discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner.

3. Shall review with the Company's counsel, legal and regulatory matters that may have a material impact on the Company's financial statements.

4. Is authorized to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it determines

necessary or appropriate to carry out its duties, without seeking approval of the Board of Directors or management.

5. Shall receive appropriate funding from the Company, as determined by the Audit Committee in its capacity as a Committee of the Board of Directors, for the payment of: (i) compensation to the Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation to any independent counsel or other advisors employed by the Audit Committee pursuant to the preceding paragraph of this Section, and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

6. Shall fulfill the obligations of the Audit Committee as required by the Company's Code of Business Conduct and Ethics and the Company's Code of Ethics for the Chairman and Chief Executive Officer and Senior Financial Officers.

7. Shall review and consider for approval transactions (i) between the Company or a subsidiary of the Company and any officer, director or employee of the Company or such subsidiary, or any spouse, parent, child or sibling, whether by blood, marriage or adoption, or anyone residing in such officer, director or employee's home (all approved "related-party" transactions should be made at arms-length terms and properly documented), and (ii) identified by the SEC in Item 404 of SEC Regulation S-K (17 CFR 229).

8. Is authorized to perform any other activities consistent with this Charter, the Company's Articles of Incorporation or Bylaws, and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.