

## **OURPET'S COMPANY AUDIT COMMITTEE CHARTER**

This Audit Committee Charter has been adopted by the Board of Directors of OurPet's Company. The Audit Committee of the Board of Directors of OurPet's shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

### **Purpose**

The Committee is responsible for oversight of the quality and integrity of the accounting, auditing, internal control and financial reporting practices of OurPet's and the appointment, compensation and retention of our independent auditors. The Committee may also have other duties assigned from time to time by the Board.

The Committee will maintain free and open communication with our independent auditors and the company's management. In discharging its oversight role, the Committee is empowered to investigate any matter relating to OurPet's accounting, auditing, internal control or financial reporting practices brought to the Committee's attention, with full access to all books, records, facilities and personnel. The Committee may retain outside counsel, auditors or other advisors.

### **Composition and Organization**

The membership of the Committee consists of at least three directors who are each free of any relationship that, in the opinion of the Board, may interfere with his or her individual exercise of independent judgment. Each Committee member will also meet the independence and financial literacy requirements for serving on audit committees and at least one member will have accounting or related financial management expertise, all as set forth in the applicable rules of the Nasdaq or other applicable independence requirements. None of the members of the Committee will have participated in the preparation of OurPet's financial statements during the past three years.

The members of the Committee are appointed by the Board. One member of the Committee will be appointed by the Board as chair. The chair is responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the Board. The chair will also maintain regular liaison with our chief executive officer and chief financial officer and lead independent audit partner.

The Committee will meet at least quarterly in person or by telephone, or more frequently as the Committee considers necessary. The Committee may also have separate private meetings with our independent auditors and management as it considers necessary.

## Responsibilities

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are:

- Recommending to the Board the independent auditors to be retained (or nominated for shareholder approval) to audit OurPet's financial statements. Such auditors are ultimately accountable to the Board and the Committee as representatives of the shareholders;
- Evaluating, together with the Board and management, the performance of our independent auditors and, when appropriate, replacing such auditors;
- Obtaining annually from our independent auditors a formal written statement describing all relationships between the auditors and OurPet's, consistent with Independence Standards Board Standard Number 1. The Committee will actively engage in a dialogue with the independent auditors with respect to any relationships that may impact the objectivity and independence of the auditors and will take, or recommend that the Board take, appropriate actions to oversee and satisfy itself as to the auditor's independence;
- Reviewing the audited financial statements and discussing them with management and the independent auditors. These discussions shall include a review of the annual management letter and matters required to be discussed under Statement of Auditing Standards No. 61, as amended by SAS 89 and 90, and consideration of the quality of OurPet's accounting principals as applied in our financial reporting, including a review of particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (whether or not recorded) and other such inquiries as the Committee or the independent auditors consider appropriate. Based on this review, the Committee shall make its recommendation to the Board as to the inclusion of the audited financial statements in OurPet's annual report;
- Issuing annually a report to be included in OurPet's proxy statement as required by the rules of the Securities and Exchange Commission;
- Overseeing OurPet's relationship with our independent auditors, including discussing with the auditors the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the auditors full access to the Committee and the Board to report on any and all appropriate matters;
- Discussing with a representative of management and our independent auditors: (i) the interim financial information contained in OurPet's quarterly report prior to filing; and (ii) the results of the review of such information by the auditors;
- Discussing with management and our independent auditors the quality and adequacy of and compliance with OurPet's internal controls;

- Discussing with management and/or our counsel any legal matters (including the status of pending litigation) that may have a material impact on OurPet's financial statements, and any material reports or inquiries from regulatory or governmental agencies;
- Reviewing alleged fraudulent actions or violations of law reported by internal compliance programs or by the independent auditors;
- Pre-approving all engagements in connection with the audit, review or attestation of reports required under the securities laws, as well as all permissible non-audit services;
- Assuring the regular rotation of the lead audit partner as required by the securities laws;
- Performing any other activities consistent with this charter, OurPet's Bylaws and Certificate of Incorporation as the Committee or the Board deems necessary or appropriate; and
- Evaluating annually, with the Board, the Committee's performance under this charter.

The Committee will rely on the expertise, knowledge and experience of management and OurPet's independent auditor in performing its oversight responsibilities. In discharging its responsibilities, the Committee is not responsible for the planning or conduct of audits or for any determination that OurPet's statements are complete and accurate or in accordance with GAAP and applicable rules and regulations. These matters are the responsibility of management and our independent auditor.