

# **Gilman Ciocia, Inc.**

## **AUDIT COMMITTEE CHARTER**

### **Purpose**

There shall be a committee of the board of directors (the "Board") of Gilman Ciocia, Inc. (the "Company") to be known as the Audit Committee (the "Audit Committee"). The Audit Committee's purpose is to:

1. Oversee the accounting and financial reporting processes of the Company.
2. Oversee the audits and reviews of the financial statements of the Company.
3. Prepare an Audit Committee report as required by the SEC's rules to be included in the Company's annual proxy statements, or, if the Company does not file a proxy statement, in the Company's annual report filed on Form 10-K with the SEC.

### **Composition**

The Audit Committee shall have at least three members, each of whom must meet the following conditions: (i) be independent as defined under Rule 4200(a)(15) of The Nasdaq Stock Market (except as set forth in Rule 4350 (d)(2)(B)); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c)); (iii) who would qualify as a "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934 ("Exchange Act"); (iv) 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; and (v) be able to read and understand fundamental financial statements, including a Company's balance sheet, income statement, and cash flow statement. Additionally, at least one member of the Audit Committee must 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 Committee shall be appointed by the Board based upon recommendations by the Company's Corporate Governance and Nominating Committee. The members of the Committee will serve at the discretion of the Board. The Committee shall designate one member of the Committee as its chairperson.

### **Duties and Responsibilities**

The following are the duties and responsibilities of the Audit Committee:

1. Be directly responsible for the appointment, compensation, retention, evaluation and oversight of the work of any registered public accounting firm (the "Independent Auditors") engaged for the purpose of preparing or issuing

an audit report or performing other audit, review or attest services for the Company, and each such Independent Auditors must report directly to the Audit Committee.

2. Resolve disagreements between management and the Independent Auditors regarding financial reporting
3. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.
4. Have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
5. Receive appropriate funding from the Company, as determined by the Audit Committee in its capacity as a committee of the Board, for payment of: (i) compensation to any Independent Auditors 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 advisers employed by the Audit Committee; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
6. At least annually, receive and review: (a) a report by the Independent Auditors describing the Independent Auditors' internal quality-control procedures and any material issues raised by the most recent internal quality-control review, peer review or Public Company Accounting Oversight Board (PCAOB) review, of the independent auditing 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, and any steps taken to deal with any such issues; and (b) other required reports from the Independent Auditors.
7. At least annually, consider the independence of the Independent Auditors, including whether the provision by the Independent Auditors of permitted non-audit services is compatible with independence, and obtain and review a report from the Independent Auditors describing all relationships between the firm and the Company.
8. Review with management and the Independent Auditors the annual and quarterly financial statements of the Company, including: (a) any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 10-K or 10-Q with the Securities and Exchange Commission ("SEC"); (b) disclosures relating to internal controls over financial reporting; (c) the items required by Statement of Auditing Standards 61 as in effect at that time in the case of the annual

statements and Statement of Auditing Standards 100 as in effect at that time in the case of the quarterly statements; and (d) the Company's specific disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" included in the Company's Form 10-K or 10-Q filed with the SEC.

9. Based on the review above, approve the inclusion of the quarterly financial statements in the quarterly report on Form 10-Q and recommend to the Board inclusion of the annual financial statements in the annual report on Form 10-K.
10. Review earnings press releases, as well as Company policies with respect to earnings press releases, financial information and earnings guidance provided to analysts and rating agencies.
11. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.
12. Discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act.
13. With respect to the Company's internal auditor (the "Internal Auditor"): the Audit Committee will have the ultimate decision making authority over the Internal Auditor's employment status, including hiring and terminating; and will maintain a direct reporting relationship with the Internal Auditor.
14. Discuss with management, the Internal Auditor, and the Independent Auditors any (1) changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed and (2) any other changes in internal control over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.
15. Report regularly to the Board.
16. Review and reassess the adequacy of the Audit Committee's charter annually.
17. Review and approve all transactions between the Company and any related person that are required to be disclosed pursuant to SEC Regulation S-K, item 404 ("Item 404"). The terms "Related person" and "transaction" shall have the meanings given to such terms in Item 404, as may be amended from time to time.
18. Comply with all preapproval requirements of Section 10A(i) of the Securities Exchange Act of 1934 and all SEC rules relating to the administration by the

Audit Committee of the auditor engagement to the extent necessary to maintain the independence of the auditor as set forth in 17 CFR Part 210.2-01(c)(7).

19. Take such other actions and make such other recommendations to the Board on such matters, within the scope of its function, as may come to its attention and which in its discretion warrant consideration by the Board.

### **Audit Committee Performance Evaluation**

The Audit Committee shall produce and provide to the Board on an annual basis a performance evaluation of the Audit Committee's performance of its duties under this charter. The evaluation shall also include any recommendations to improve the charter of the Audit Committee. The performance evaluation shall be conducted in such a manner as the Audit Committee deems appropriate. Any member of the Audit Committee may present the evaluation to the Board either orally or in writing.

### **Meetings**

The Audit Committee shall meet at least four times per year and more frequently as circumstances require. Meetings may be conducted in whole or in part by telephone conference call or similar means. The Audit Committee shall meet separately and periodically with management and the Independent Auditors. The Company shall make available to the Audit Committee at its meetings and otherwise, such individuals and entities as may be requested from time to time by the Audit Committee, such as the President and Chief Executive Officer, Chairman of the Board, Chief Financial Officer and other members of management, the Company's independent auditors, inside and outside counsel, the internal audit and accounting staff, employees and other individuals or entities (whether or not employed by the Company and including any corporate governance employees and individuals or entities performing internal audit services as independent contractors).

### **Delegation**

Any duties and responsibilities of the Audit Committee, including, but not limited to, the authority to preapprove all audit and permitted non-audit services, may be delegated by the Audit Committee to one or more members of the Audit Committee or a subcommittee of the Audit Committee.

### **Resources and Authority**

The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management.

### **Minutes and Reports**

Minutes of each meeting will be kept and distributed to each member of the Audit Committee and to the General Counsel of the Company. The chairperson of the Audit Committee (or any acting chairperson in the absence of the chairperson) will report to the Board at least once per year, or whenever so requested by the Board.

## **Limitations**

The Audit Committee is responsible for the duties and responsibilities set forth in this charter, but its role is oversight and therefore it is not responsible for either the preparation of the Company's financial statements or the auditing of the Company's financial statements. The members of the Audit Committee are not employees of the Company. Management has the responsibility for preparing the financial statements and implementing internal controls and the Independent Auditors have the responsibility for auditing the financial statements and monitoring the effectiveness of the internal controls, subject, in each case, to the oversight of the Audit Committee described in this charter. The review of the financial statements by the Audit Committee is not of the same character or quality as the audit performed by the Independent Auditors. The oversight exercised by the Audit Committee is not a guarantee that the financial statements will be free from mistake or fraud. In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

Dated: December 14, 2007