

# **FIRST TRINITY FINANCIAL CORPORATION**

## **AUDIT COMMITTEE CHARTER**

### **Purpose**

The primary purpose of the Audit Committee (the "Committee") is to assist the Board of Directors ("the Board") of First Trinity Financial Corporation (the "Company") in fulfilling its responsibility to (1) oversee (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, c) the independent auditor's engagement, qualifications, performance, compensation and independence, and (d) the Company's system of internal control over financial reporting; and (2) oversee the preparation of and approve the disclosure required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

### **Membership**

Each member of the Committee shall be appointed by the board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by majority vote of the Board.

The Committee shall be comprised of not less than three members of the Board, two of which must be independent. The Committee's composition shall meet all the applicable independence, financial literacy and other standards required by any applicable laws and regulations.

Members of the Committee shall not serve on more than three public company audit committees simultaneously unless the Board determines that such simultaneous service would not impair the member's ability to serve effectively on the Committee.

The Board shall designate the chairperson of the Committee, provided that if the Board does not so designate a chairperson, the members of the Committee, by majority vote, may designate a chairperson.

### **Meetings**

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. Typically, the Committee will meet at least once every fiscal quarter.

The presence in person or by telephone of a majority of the Committee's members shall constitute a quorum for any meeting of the Committee. All actions of the Committee require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present.

## **Responsibilities and Powers**

While the Committee has the duties and responsibilities set forth in this charter, the Committee's role is oversight. The Committee and the Board recognize that the Company's management is responsible for preparing the Company's financial statements and that the independent auditor is responsible for auditing those financial statements. The Committee is not responsible for planning or conducting the audit or for determining that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee shall have authority to retain such outside counsel, experts and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

In furtherance of its purpose, the Committee shall have the following responsibilities:

### ***Oversight of Financial Statements and Other Financial Information***

1. The Committee shall review and discuss with management and the independent auditor, prior to release to the public and others, the annual audited financial statements and quarterly financial statements, including disclosures contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and matters required to be reviewed under applicable legal, regulatory or other requirements. As part of this review process, the Committee shall review any management report on internal control and any independent auditor's attestation with respect to management's assertion.
2. The Committee shall determine whether to recommend to the Board that the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K.
3. The Committee shall discuss, with management and the independent auditor, as appropriate, prior to release to the public, earnings press releases, paying particular attention to any "pro forma" or "adjusted" non-GAAP information. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the types of presentations to be made).
4. The Committee shall discuss financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the types of presentations to be made).

### ***Selection, Evaluation and Oversight of Auditors***

5. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm 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 registered public accounting firm shall report directly to the Committee. Without limiting the generality of the foregoing, the Committee shall:

- have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditor;
- have the sole authority to approve audit engagement fees and terms;
- pre-approve any non-audit service to be provided to the Company by the independent auditor, upon determining the provision of such permissible service is compatible with the auditor's independence;
- discuss with the independent auditor a) the plan for and scope of the annual independent audit; b) all critical accounting policies and practices to be used, c) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and d) material written communications between the independent auditor and management, including, but not limited to, the schedule of unadjusted differences and any management letters;
- review with the independent auditor any audit problems or difficulties and management's response; and
- on a periodic basis, meet separately with the independent auditor to discuss any matters that the Committee or auditor believe should be discussed privately.

6. The Committee shall obtain and review at least annually a formal written report from the independent auditor delineating:

- the auditor's internal quality-control procedures;
- any material issues raised by the most recent internal quality-control review, or peer review of the auditor, 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 auditor, and any steps taken to deal with any such issues; and
- all relationships between the independent auditor and the Company, in order to assess the auditor's independence.

Upon receipt of such written report, the Committee shall discuss with the independent auditor any such disclosed relationships and their impact on the independent auditor's objectivity and independence, and shall recommend that the Board take appropriate action in response to the auditor's report to satisfy itself of the independence of the independent auditor.

7. The Committee shall review the experience and qualifications of the lead and reviewing partners each year and monitor the independent auditor's compliance with partner rotation requirements. The Committee shall also consider whether there should be periodic rotation of the audit firm itself.

### ***Oversight of the Financial Reporting Process and Internal Control***

8. The Committee shall review the Company's financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application and the key accounting decisions affecting the Company's financial statements, including alternatives to, and the rationale for, the decisions made.

9. The Committee shall review analyses prepared by management setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

10. The Committee shall discuss the effect of regulatory and accounting initiatives or proposals on the financial statements of the Company.

11. The Committee shall discuss with management and the independent auditors a) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting and any special audit steps adopted in light of material control deficiencies, and b) any changes in internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### *Miscellaneous*

12. The Committee shall set policies for the hiring of employees or former employees of the Company's independent auditor.

13. The Committee shall discuss policies developed and implemented by Company management and the Board of Directors with respect to risk assessment and risk management and steps Company management has taken to monitor and control financial risk exposure, including anti-fraud programs and controls.

14. The Committee shall review with the Company's General Counsel and others the status of litigation, claims, assessments, commitments and contingent liabilities and their potential impact on the Company's financial statements.

15. The Committee shall review and investigate any matters pertaining to the integrity of management and management's adherence to standards of business conduct and ethics as required in the policies of the Company.

16. The Committee shall discuss with management and the independent auditors any fraud, whether or not material, that involves management or other employees with a significant role in the Company's internal control over financial reporting.

17. The Committee shall review and approve related-party transactions according to such policies as may be adopted by the Board of Directors from time to time.

18. The Committee shall oversee the establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, auditing matters or violations of the Company's code of conduct.

19. The Committee periodically shall meet separately with the Chief Executive Officer, Chief Financial Officer, General Counsel or other members of senior management to discuss any matters that the Committee or management believe should be discussed privately.

20. The Committee shall report its recommendations to the Board after each Committee meeting. The Committee shall maintain written minutes of its meetings, which shall be provided to the Board and filed in the Company's board meeting minute book.

21. The Committee shall oversee the preparation of and approve the disclosure required by the SEC to be included in the Company's annual proxy statement.

22. The Committee shall conduct and present to the Board an annual performance self-evaluation of the Committee.

23. The Committee shall monitor developments in rules and regulations consistent with its purpose and make appropriate and timely changes to the duties performed by the Committee.

24. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.