

**Midwest Reliability Organization
Finance and Audit Committee Charter**

I. Purpose(s)

The Midwest Reliability Organization Finance and Audit Committee (“Committee”) shall report to the Midwest Reliability Organization Board of Directors (“Board”). The purposes of the Committee are to:

1. Assist the Board in the discharge of its responsibility to monitor the component parts of the audit process and the integrity of the corporation’s financial reporting.
2. Provide independent communication between the Board and the external auditor.
3. Monitor the independence of the external auditor to ensure the external auditor remains ultimately accountable to the Board and the Committee.
4. Maintain the quality, credibility, and objectivity of financial reports and to satisfy itself as to the adequacy of the supporting systems of internal accounting controls; monitor the corporate pension, benefits, and other legal and regulatory matters of a financial concern.
5. Ensure that management has adopted an internal control structure consistent with the size and complexity of the organization.
6. Responsible to oversee the implementation and operation of the Corporate Compliance and Ethics Program,

II. Scope of Activities

In carrying out the above purposes, the Committee shall:

- (a) Review the corporation’s annual financial statements. This review will include:
 - discussions with management and the external auditor and a consideration of a report by the external auditor to the Committee of matters related to the conduct of the audit;
 - discussions with the external auditor with respect to the auditor’s judgment with regard to both the acceptability and quality of the financial statements, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the corporation, the process used by management in formulating particularly significant accounting estimates, and the basis for the external auditor’s conclusions regarding the reasonableness of those estimates;
 - a review of significant adjustments arising from the audit;
 - a review of disagreements with management over the application of accounting policies and the disclosures in the financial statements;
 - a review of the external auditor’s suggestions for improvements to the corporation’s operations and internal controls;
 - compliance with the Sarbanes-Oxley Act of 2002, as appropriate for a non profit, non-issuer organization; and
 - compliance with various covenants.

- (b) Determine, based on its review and discussion, whether to recommend the acceptance by the Board of such audited financial statements.
- (c) Review with management, the external auditor and legal counsel, the corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation and the disclosure or impact on the results of these matters in the annual financial statements.
- (d) At least once each year:
- Meet privately with management to assess the performance of the external auditor.
 - Meet privately with the external auditor, amongst other things, to inquire about time pressures on the external auditor, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including restrictions on the scope of their work and access to requested information and the level of cooperation received from management during the performance of their work and their evaluation of the corporation's financial, accounting, and personnel systems.
- (e) Evaluate the performance of the external auditor, and if so determined, recommend that the board propose to the members of the corporation reappointment of the external auditor or steps to replace the external auditor.
- (f) Obtain from the corporation's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management in order to monitor whether management has implemented an effective system of internal accounting control.
- (g) Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the corporation's financial statements.
- (h) Review financial performance of the post-retirement plan.
- Review performance of investment manager and trustee each year.
 - Review and update investment charter for these plans as required (refer to attached) with appropriate recommendations to the Board.
 - Review the financial statements of the organization retirement and other benefit plans and report, as appropriate, to the Board.
 - Review policies for approval of senior management expenses, including those of the chief executive officer and board members, if applicable.
 - Report to the Board annually on activities, findings, and conclusions of the Committee.

- (i) Perform such other functions as may be delegated from time to time by the Board.

III. Membership

The Committee shall be composed of the financial officer of the Corporation, the vice chair of the Board, and two other board members appointed by the Board Chair. No two members of the committee are from the same sector. The vice-chair of the MRO Board shall chair the Committee. Other members of the Committee shall be appointed by the Chair of the MRO Board to serve a term of two years or until successors shall be duly appointed and qualified. Terms shall be staggered so that the terms of all members do not expire in the same year. If a member of the Committee resigns before the end of his or her term, a replacement will be appointed by the Chair of the MRO Board for the duration of the term.