



Finance and Audit Committee Charter

I. Organization

Pursuant to the authority granted in Article 8 of the Bylaws of the Midwest Reliability Organization (Bylaws), there shall be a committee of the Midwest Reliability Organization (MRO or Company) Board of Directors (board) known as the Finance and Audit Committee (FAC or Committee). This charter shall govern the Committee with regard to its duties and responsibilities.

II. Purpose

The purpose of the FAC is to assist the board in the discharge of its fiduciary duty regarding the financial status of the Company, and to monitor the component parts of the audit process and the integrity of the Company's financial reporting.

III. Responsibilities

The FAC shall be responsible for the following duties:

A. Annual Audited Financial Statements.

1. *Review Annual Audited Financial Statements.* The FAC shall review the annual audited financial statements of the Company. Such review shall include the following:
 - a. Discussions between the FAC, management, and the external auditor regarding a report of the external auditor related to the conduct of the audit;
 - b. Discussion between the FAC and the external auditor as to the auditor's judgement regarding:
 - i. both the acceptability and quality of the financial statements,
 - ii. the selection of changes in significant accounting policies,
 - iii. the method used to account for significant unusual transactions,
 - iv. the effect of significant accounting policies in controversial or emerging areas,
 - v. the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the Company,
 - vi. the process used by management in formulating particularly significant accounting estimates, and
 - vii. the basis for the external auditor's conclusions regarding the reasonableness of those estimates.
 - c. Review of significant adjustments arising from the audit.
 - d. Review of disagreements with management over the application of accounting policies and the disclosures in the financial statements.
 - e. Review of the external auditor's suggestions for improvements to the Company's operations and internal controls.
 - f. Review of the Company's compliance with the Sarbanes-Oxley Act of 2002, as appropriate for a non-profit, non-issuer organization.

In the exercise of its duties pursuant to this section, the FAC may rely on MRO staff expertise and/or the professional or expert competence of those persons selected in the management of MRO's financial management, including retirement plans.



2. *Recommendation to the Board.* Based on its review, the FAC shall determine whether to recommend the acceptance by the board of such audited financial statements.

B. Independent External Auditor.

1. *Conduct Audit.* The FAC shall engage an independent external auditor for the Company. Such engagement shall include the following:
 - a. Ensure that the external independent auditor conducts a review of management's internal control structure and confirms that the review is consistent with the size and complexity of the organization.
 - b. Obtain from the Company'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.
 - c. Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Company's financial statements.

The FAC shall provide independent communication between the board and the external auditor.

2. *Assess Auditor.* The FAC shall assess the performance of the independent internal auditor. Such assessment shall include the following:
 - a. Meet privately with:
 - i. Management to assess the performance of the external auditor.
 - ii. The external auditor 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 Company's financial, accounting, and personnel systems.
 - b. Evaluate the performance of the external auditor and, if so determined, recommend to the board the reappointment of the external auditor or steps to replace the external auditor.
 - c. Monitor the independence of the external auditor to ensure the external auditor remains ultimately accountable to the board and the Committee.

C. Compliance and Internal Controls.

1. *Compliance.* The FAC shall review with management, the external auditor and legal counsel, the Company'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 Company and the disclosure or impact on the results of these matters in the annual financial statements.
2. *Internal Controls.* The FAC shall maintain the quality, credibility, and objectivity of financial reports and satisfy itself as to the adequacy of the supporting systems of internal accounting controls; monitor the Company's defined contribution plan, benefits, and other legal and regulatory matters of a financial concern.

D. General Finance and Investments.

1. *Budget, Reserves, and Retiree Medical Trust.* Pursuant to Policy and Procedure 12: General Finance Policies, the FAC shall recommend a reserves, budget, and the retiree medical trust funding to the board for approval.



2. *Thrift Savings Plan.* The FAC shall review the investment performance of the Midwest Reliability Organization Thrift Savings Plan (TSP). Such review shall include a(n):
 1. Annual review of the report from the Midwest Reliability Organization TSP Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year; and
 2. Review of any changes to the Midwest Reliability Organization TSP Investment Committee Charter made by the Thrift Savings Plan Investment Committee.
3. *Retiree Medical Plan.* The FAC shall review the investment performance of Midwest Reliability Organization Retiree Medical Plan (RMP). Such review shall include a(n):
 1. Annual review of the report from the Midwest Reliability Organization RMP Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year; and
 2. Review of any changes to the Midwest Reliability Organization RMP Investment Committee Charter made by the Retiree Medical Plan Investment Committee.
4. *457(b) Plan and Trust.* The FAC shall review the Midwest Reliability Organization 457(b) Plan and Trust. Such review shall include an annual review of a written report from the Trustee regarding the administration of the Rabbi Trust during the preceding year setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of the such year.

E. Taxes and Insurance.

1. *Taxes.* The FAC shall review MRO's annual Form 990 tax filing. This includes posting the draft filing for board member comments prior to being filed with the IRS.
2. *Insurance.* The FAC shall review the business insurance coverage and any recommended changes or additions as deemed necessary by Company staff or its advisors.

F. Covenants.

1. *Existing Covenants.* The FAC shall review existing covenants of current financing agreements and/or long-term contractual agreements of material value.
2. *New Covenants.* The FAC shall review new financing agreements and renewal of existing financing agreement(s) including compliance with various covenants and any long-term contractual agreements of material value. Upon such review, if the new covenant is acceptable to the FAC, the shall authorize Company management to execute.

G. Corporate Compliance and Ethics Program.

1. *Oversee Implementation and Operation.* The FAC shall oversee the implementation and operation of the Corporate Compliance and Ethics Program.
2. *Review "MRO Internal Program for Compliance and Ethics" Framework Document.* The FAC shall review any substantive changes to the internal compliance and ethics framework document for appropriateness.

H. Governance.

1. *Report to Board.* The FAC shall report to the board annually on activities, findings, and conclusions of the Committee.
2. *Review Charter.* The FAC shall review the FAC charter. Any changes shall be approved by the FAC and recommended for approval to the Governance and Personnel Committee.



3. *Review Board Policies and Procedures.* The FAC shall review all finance-related board policies and procedures. Any changes shall be approved by the FAC and recommended for approval to the Governance and Personnel Committee.
4. *Other Functions.* The FAC shall perform such other functions as may be delegated from time to time by the board

IV. Membership

The FAC shall be comprised of the vice chair of the board, and seven other board members appointed by the board chair, two of whom will be Independent Directors. The Treasurer of the corporation will be a nonvoting *ex officio* member. The vice chair of the board shall chair the FAC. Other members of the FAC shall be appointed by the chair of the board to serve a term of up to two years with terms beginning at the start of the following calendar year. Terms of members shall be staggered so that the terms of all members do not expire in the same year. If a member of the FAC resigns before the end of his or her term, a replacement shall be appointed by the chair of the board for the duration of the term.

V. Meetings

The FAC shall meet quarterly, or more frequently as appropriate or necessary. The chair of the board, the chair of the FAC, or a simple majority of the FAC members may call meetings of the FAC. A quorum shall exist when a simple majority of the FAC are present. The FAC may take action with a simple majority of the FAC members present in a quorum or by unanimous written consent. In the case of a tie vote, the question will be presented to the MRO Board of Directors for its decision.