

## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS FIRST FINANCIAL CORPORATION

### **Purpose**

The Audit Committee (the Committee) is appointed by the Board of Directors (the Board) to assist the Board in fulfilling its oversight responsibilities with respect to monitoring (1) the integrity of the financial statements of First Financial Corporation (the Company), (2) the independent registered public accountant's qualifications and independence, (3) the performance of the Company's internal audit function and independent registered public accountants, (4) the compliance by the Company with legal and regulatory requirements, and (5) the Company's system of disclosure controls and system of internal controls regarding finance, accounting and legal compliance.

The Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the Commission) to be included in the Company's annual proxy statement.

### **Committee Membership**

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence and experience requirements of NASDAQ STOCK MARKET, INC., Section 10A (m)(3) of the Securities Exchange Act of 1934 (the Exchange Act) and the rules and regulations of the Commission. As required by the Commission, if a member of the Committee meets the definition of a financial expert, as defined by the Commission, that member shall be so designated. The members of the Committee shall be appointed by the Board.

### **Meetings**

The Committee will meet at least quarterly but reserves the right to meet as often as it shall determine. The Committee shall meet periodically with management, the internal auditors and the independent registered public accountants in separate executive sessions.

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Company. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent registered public accountants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Company. The Committee will prepare written minutes of each Committee meeting and shall periodically make reports to the Board. The Company shall provide appropriate funding, as determined by the Committee, to compensate the independent registered public accountant and any advisors that the Committee engages.

### **Committee Authority and Responsibilities**

The Committee shall have sole authority to appoint or replace the independent registered public accountant. The Committee shall be directly responsible for the compensation and oversight of the work of the independent registered public accountant (including resolution of disagreements between management and the independent registered public accountant regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent registered public accountant shall report directly to the Committee.

The Committee shall pre-approve all auditing services and permitted non-audit services to be performed for the Company by its independent registered public accountant. The Committee shall also approve fees for services as outlined in engagement letters or quoted by the independent registered public accountants. Fees for routine preapproved services will be reported to the Committee as invoiced. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittees to grant preapprovals shall be presented to the full Committee at its next scheduled meeting.

The Committee, to the extent it considers necessary, shall:

### **Financial Statement and Disclosure Matters**

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review and discuss the annual audited financial statements and the audit of internal control over financial reporting with management and the independent registered public accountant, including disclosures made in management's discussion and analysis, accounting and auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements, and recommend inclusion of the financial statements in the 10K to the Board.
3. Review with management and the independent registered public accountant the Company's financial results prior to the filing of Form 10Q and review results of the SAS 100 review of the quarterly financial statements included in Form 10Q. Such reviews will include:
  - a.) all critical accounting policies and estimates and practices to be used.
  - b.) 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 registered public accountant.
  - c.) other material written communications between the independent registered public accountant and management including, but not limited to, the management letter and schedule of unadjusted differences.
  - d.) an analysis of the independent registered public accountant's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
4. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
5. Review with management and the independent registered public accountant the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

## **Oversight of the Company's Relationship with the Independent Auditor**

6. Report annually to the Board the appointment of the independent registered public accountant and monitor the fees, duties and independence concerns.
7. Approve in advance all audit services to be provided by the independent registered public accountant, including any written engagement letters related thereto. (By approving the audit, the audit service contemplated in any written engagement letter shall be deemed to have been pre-approved.)
8. Review and pre-approve both audit and permissible non-audit services to be provided by the independent registered public accountant (other than with respect to de minimis exceptions permitted by the Sarbanes Oxley Act of 2002). This duty may be delegated to one or more designated members of the Committee with any such pre-approval reported to the Committee at its next regularly scheduled meeting. The Committee may also adopt policies and procedures for the pre-approval of audit and permissible non-audit services.
9. Review the experience and qualifications of the senior members of the independent audit team and the quality control procedures of the independent registered public accountant.
10. Approve the retention of the independent registered public accountant for any non-audit service and the fee for such service.
11. Receive periodic reports from the independent registered public accountant regarding the auditor's independence, discuss such reports with the auditor, and if necessary, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
12. Evaluate together with the Board the performance of the independent registered public accountant and if the performance is considered to be unsatisfactory, recommend that the Board replace the independent registered public accountant.
13. Discuss with the independent registered public accountant the matters required to be discussed by Statement on Auditing Standards No. 114 or other standards that may in time modify, supplement or replace SAS 114 relating to the conduct of the audit.
  - a.) on an annual basis, the Committee shall ensure receipt of, and review with the independent registered public accountant, the written statement required by Independence Standards Board (ISB) Standard No. 1, as may be modified, supplemented or replaced, and discuss with the auditors their independence.
  - b.) other material written communications between the independent registered public accountant and management, such as any management letter or schedule of unadjusted differences.
14. Review with the independent registered public accountant any significant difficulties

the auditor may have encountered in conducting the audit or working with management and any management letter provided by the auditor and the Company's response to that letter. Such review should include:

a.) any significant difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management.

b.) any changes required in the planned scope of the audit.

c.) any significant concerns about the internal audit department's responsibilities, budgeting and staffing.

15. Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
16. Obtain and review a report from the independent registered public accountant periodically regarding (a) the independent registered public accountant's internal quality control procedures, (b) any material issues raised by the most recent quality control review or peer review of the firm.

#### **Oversight of the Company's Internal Audit Function**

17. Review the appointment, performance and replacement of the senior internal auditing executive.
18. Review the reports to management prepared by the internal auditing department and management's responses.
19. Periodically review with the internal auditors any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the internal auditor's work.
20. Review and approve the annual internal audit plan.

#### **Compliance Oversight Responsibilities**

21. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
22. Discuss with management and the independent registered public accountant any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
23. Discuss with the independent registered public accountant any illegal act(s) identified during the conduct of the audit, if applicable, and any conclusions reached regarding such matter(s).
24. Ascertain that there have been no violations of the Company's Code of Business

Conduct and Ethics, which shall include a review of insider and related party transactions.

25. Periodically review and discuss the adequacy and effectiveness of the Company's internal and disclosure controls and procedures related to financial reporting and management and independent registered public accountant reports thereon.
26. Ensure the Company adheres to regulatory guidelines regarding the hiring of employees and former employees of the independent registered public accountant.

#### **Limitation of Examining Committee's Role**

While the committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent registered public accountant.

August 05, 2014