

WORLDGATE COMMUNICATIONS, INC.

AUDIT COMMITTEE CHARTER

1. **Purpose.** The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of WorldGate Communications, Inc. has been established for the purpose of assisting the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information of WorldGate Communications, Inc. and its subsidiaries (the “Company”), (b) the Company’s compliance with legal and regulatory requirements, (c) the independent auditors’ qualifications and independence and (d) the performance of the Company’s financial management and independent auditors.
2. **Structure and Membership.** The Committee shall consist of at least three directors, each of whom shall satisfy the independence and experience requirements of the rules of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), The NASDAQ Stock Market and any other regulatory requirements, subject in each case to the exemptions, exceptions and transition provisions available under each such regulation or requirement. At least one member of the Committee must be financially sophisticated, as determined by the Board, and no Committee member may have participated in the preparation of the financial statements of the Company or any of the Company’s current subsidiaries at any time during the past three years, each as required by the rules of The NASDAQ Stock Market. No Committee member may accept, directly or indirectly, any consulting, advisory, or other compensatory fees from the Company or any of its subsidiaries. Appointment to the Committee, including the designation of the Chair of the Committee and the designation of any Committee members as “Audit Committee financial experts,” shall be made on an annual basis by the full Board. The Chair shall, if present, preside at all meetings of the Committee and exercise and perform such other powers and duties as may be assigned to him or her by the Board or the Committee.
3. **Authority.** To allow the Committee to achieve its purpose and satisfy its responsibilities, the Committee shall have the authority described in this Section 3.
 - a. ***Subcommittees.*** The Committee may establish subcommittees of one or more members, and delegate its authority and responsibilities to such subcommittees, when appropriate and in accordance with applicable rules and regulations.
 - b. ***Consultants and Advisors.*** The Committee may engage independent, legal, accounting and other consultants and advisors, from time to time, to advise the Committee. The Committee will have the sole authority to approve the fees and other retention terms with respect to such consultants and advisors. The Company shall adequately fund the operation of the Committee, including making payments to such consultants and advisors. The Committee shall determine the extent of funding necessary for payment of compensation to the independent auditors for purpose of rendering or issuing the annual audit report and to any independent legal, accounting and other consultants retained to advise the Committee.

- c. ***Access to Company Resources.*** The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee. The Committee shall have full access to all books, records and facilities of the Company.
 - d. ***Other Actions.*** The Committee may take such other actions as the Committee deems necessary or appropriate to satisfy its responsibilities set forth in this Charter or as otherwise delegated by the Board including the authority to request reports from internal or external sources on matters related to its authority, its duties as described in this Charter and on any subject that it deems related to its responsibilities.
4. **Meetings.** The Committee shall meet at least four times per year on a quarterly basis, or more frequently as circumstances require. The Committee may invite members of management, consultants or other advisors to attend meetings and provide pertinent information; provided, however, the Committee may meet in executive session at its discretion. As part of its job to foster open communications, the Committee shall meet at least annually with the Company's Chief Financial Officer and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee shall regularly update the Board regarding the Committee's activities. Minutes of all Committee meetings shall be maintained and filed with the minutes of the meetings of the Board, and the Committee shall report to the Board at each Board meeting following a meeting of the Committee as requested by the Chairman of the Board.
5. **Responsibilities.** The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Board recognizes that financial management and the independent auditors have more time, knowledge and detailed information regarding the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not conducting any audits and is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditors' work. These are the responsibilities of management and the independent auditors. The Committee has the following authority and responsibilities:
 - a. ***Independent Auditors.***
 - The Committee shall be directly responsible for the appointment, compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing the audit report or related work. The Committee shall have the sole authority to review in advance, and establish policies and procedures for the review and appropriate pre-approvals, of (a) all auditing services to be provided by the independent auditors (including the scope and plan of the work to be done by the independent auditors) and (b) all non-audit services to be provided by the independent auditors, and, in connection therewith, to

approve all fees and other terms of engagement. The Committee shall consult with management and the Company's financial management but shall not delegate these responsibilities.

- The Committee shall review and discuss with the independent auditors the audit plans and audit procedures, including the scope, fees and timing of the audit.
- The Committee shall annually review the performance (effectiveness, objectivity and independence) of the independent auditors, including the lead audit partner.
- The Committee shall request and receive on an annual basis a written statement from the independent auditors delineating all relationships between the independent auditors and the Company. Additionally, the Committee shall discuss with the independent auditors any disclosed relationships or services that may affect the objectivity or independence of the independent auditors and satisfy itself as to the independent auditors' independence.
- At least annually, the Committee shall obtain and review an annual report from the independent auditors describing (a) the independent auditors' internal quality control procedures and (b) any material issues raised by the most recent internal quality control review, peer review, or Public Company Accounting Oversight Board inspection of the independent auditors, 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 independent auditors, and any steps taken to deal with any such issues.
- The Committee shall oversee the rotation of the lead (or coordinating) audit partner of the Company's independent auditor having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least every five (5) years.
- The Committee shall review and discuss reports from the independent auditors on (a) all critical accounting policies and practices used by the Company, (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

b. ***Reporting and Reviews.***

i. With respect to annual financial statements:

- The Committee shall review and discuss with management and the independent auditors the Company's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board, if appropriate, that the

Company's annual audited financial statements be included in the Company's Annual Report on Form 10-K.

- The Committee shall discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as may be modified or supplemented, relating to the conduct of the audit.
 - The Committee shall prepare the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement and any other reports of the Committee required by applicable securities laws or stock market listing requirements or rules.
- ii. With respect to quarterly financial statements: The Committee shall review and discuss with management and the independent auditors the Company's quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the Company's filing of the respective Quarterly Report on Form 10-Q.
- iii. Annual reviews: The Committee shall discuss with management and the independent auditors major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and review and discuss analyses prepared by management and/or the independent auditors 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 financial statements.
- c. ***Periodic reviews.***
- The Committee shall periodically review separately with each of management and the independent auditors (a) any significant disagreement between management and the independent auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.
 - The Committee shall periodically discuss with the independent auditors, without management being present, (a) their judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements.
 - The Committee shall consider significant changes to the Company's accounting principles and financial disclosure practices as suggested by the independent auditors or management. The Committee shall also review with the independent auditors and management, at appropriate intervals, the extent to which any changes

or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

- The Committee shall review and discuss with management and the independent auditors and the Company's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules.

d. *Discussions with Management.*

- The Committee shall review and 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. Such discussions may be done generally (i.e., discussion of the types of information to be disclosed and the types of presentations to be made).
- The Committee shall review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
- The Committee shall review and discuss with management the Company's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Company's risk assessment and risk management guidelines and policies.

e. *Internal Control over Financial Reporting.*

- The Committee shall review, based upon the recommendation of the independent auditors and financial management, the scope and plan of the work to be done by financial management and discuss the responsibilities, budget and staffing needs of financial management.
- The Committee shall review on an annual basis the performance of financial management.
- In consultation with the independent auditors and financial management, the Committee shall review the adequacy of the Company's internal control over financial reporting designed to ensure compliance with laws and regulations, and any special audit steps adopted in response to any material control deficiencies.
- The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal

accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- The Committee shall review (a) the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal control over financial reporting and (b) the independent auditors' attestation, and report, on the assessment made by management.
- The Committee shall review disclosures made to it by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees.

f. ***Other Responsibilities.***

- The Committee shall review all related party transactions (as such term is defined under the applicable rules and regulations of NASDAQ) for potential conflict of interest situations on an ongoing basis and approve all such transactions (if such transactions are not approved by another independent body of the Board).
- The Committee shall establish a policy addressing the Company's hiring of employees or former employees of the independent auditors.
- The Committee shall be responsible for reviewing the policies and processes by which the Company undertakes risk assessment and risk management.
- The Committee shall review and reassess the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Committee.
- The Committee shall have authority to conduct and authorize investigations into any matter within the scope of its responsibilities.
- The Committee shall advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
- The Committee shall take such other action, within the scope of the foregoing, the Company's bylaws and governing law, as the Committee or the Board shall deem appropriate.