

# Pinnacle

## Entertainment®

### CHARTER OF AUDIT COMMITTEE

#### **I. Statement of Policy**

This Charter specifies the membership requirements and scope of the responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Pinnacle Entertainment, Inc. (the "Company").

The purpose of the Committee is to (1) assist the Board oversight of (a) the accounting and financial reporting processes of the Company, including the audits of the financial statements of the Company and the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the Company's independent auditors' qualifications and independence and (d) the performance of the Company's internal audit function and independent auditors, (2) prepare the disclosure required by Item 407(d)(3)(i) of Regulation S-K, and (3) perform such other duties and obligations of audit committees under applicable law and regulation.

#### **II. Organization and Membership Requirements**

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be determined by the Board of Directors to meet the independence requirements of The NASDAQ Stock Market LLC (the "NASDAQ"), the Securities and Exchange Commission (the "SEC") and any other applicable law applicable to audit committee members. All members of the Audit Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement at the time of his or her appointment to the Committee. At least one member of the Committee shall either be an "audit committee financial expert" as such term is defined in applicable SEC rules or have accounting or financial management expertise as the Board interprets such qualification in its business judgment. No member of the Committee may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

A Committee member may not serve on the audit committee of more than three public companies, including the Company.

The members of the Committee shall be appointed by the Board based on the recommendation of the corporate governance and nominating committee. The members may be removed from the Committee by the Board. The Board shall appoint the Chair of the Committee. If the Board fails to appoint a Chair, the members of the Committee shall elect a Chair by majority vote.

The Committee may, to the extent permitted by applicable laws and regulations, form and delegate any of its responsibilities to a subcommittee so long as such subcommittee consists of at least two members of the Committee.

#### **III. Meetings**

The Committee shall meet as often as it determines, but not less frequently than quarterly.

#### **IV. Oversight of the Relationship with the Company's Auditors**

The Committee shall be directly and solely responsible for the appointment, compensation, retention and oversight of the work of any independent auditor engaged by the Company (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such independent auditor must report directly to the Committee. The Committee shall:

1. Receive and review periodic reports from the independent auditor regarding the independent auditor's independence, review with the independent auditor and management all relationships between the independent auditor and the Company, and discuss with the independent auditor any disclosed relationships or services that may impact auditor objectivity and independence.
2. Evaluate, at least annually, the qualifications, performance and independence of the independent auditor, including a review and evaluation of the lead partner of the independent auditors and present its conclusions to the Board. The lead audit partner of the audit firm shall rotate every five years as required by Section 10A(j) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").
3. Review with the independent auditor the planning, the scope, timing and staffing of the audit.
4. Approve in advance, by the Committee's sole authority, all audit services and approved non-audit services provided to the Company by the independent auditor in accordance with Section 10A(i) of the Exchange Act. Non-audit services do not require pre-approval if (i) the aggregate amount of such services constitutes not more than 5% of the total amount of revenues paid to the independent auditor during the fiscal year in which such services are provided, (ii) such services were not recognized as non-audit services at the time of the engagement, and (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the audit committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
5. Review with the independent auditor any audit problems or difficulties and management's response, including any problems or difficulties encountered during the course of any audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements.
6. At least annually, obtain and review a report by the independent auditor describing (i) the independent auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent 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 independent auditor, and any steps taken to deal with such issues, and (iii) (to assess the independent auditor's independence), all relationships between the independent auditor and the Company.

#### **V. Committee Authority and Responsibilities**

The Committee is authorized to carry out its responsibilities and functions and other responsibilities assigned to it by the Board from time to time, and to take any action reasonably related to the mandate of this Charter. Subject to any restrictions set forth in the Company's Certificate of Incorporation and Bylaws and applicable law, the Committee shall have all power and authority necessary or appropriate to carry out its purposes and responsibilities, including the resources and authority to retain independent counsel or other advisers, as it deems appropriate. The Committee shall receive appropriate funding from the Company, as determined in the Committee's sole discretion, for payment of (1) compensation to 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, (2) compensation to independent counsel or other advisers and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

To fulfill its responsibilities and duties the Committee shall, to the extent that it deems necessary or appropriate, and in addition to the items described above:

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and quarterly financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as well as any report, opinion or management letter rendered by the independent auditors.
2. Based on (a) its review and discussions with management of the Company's audited financial statements, (b) its discussion with the independent auditors of the matters to be communicated pursuant to Statement of Auditing Standards No. 61 and (c) the written disclosures from the Company's independent auditors regarding independence, recommend to the Board whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.
3. Review with the Company's independent auditors and financial management the adequacy and effectiveness of the Company's system of disclosure controls and procedures and internal controls over financial reporting, including the report of management and the independent auditors thereon, and the related findings and recommendations of the Company's independent auditors together with management's responses.
4. Prior to the Company's filing of any Quarterly Report on Form 10-Q or Annual Report on Form 10-K, receive disclosures from the Company's principal executive officer and principal financial officer with respect to the following (a) all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect the Company's ability to record, process, summarize and report financial data; (b) all material weaknesses in internal controls identified by such officers to the Company's independent auditors; and (c) any fraud, whether material or not material, that involves management of the Company or other employees ("Team Members") who have a significant role in the Company's internal controls over financial reporting.
5. Discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee may discuss this generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
6. Meet separately and periodically with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors.
7. Review with management and the independent auditors the critical accounting policies and practices used by the Company, alternatives thereto and the ramifications thereof. Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
8. Review with the independent auditors any accounting adjustments that were noted or proposed by the independent auditor, including those not recorded (as immaterial or otherwise), any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement and any material written communications between the independent auditors and management, including any management letter or schedule of unadjusted differences and management's responses. The review shall also include discussions of the responsibilities, budget and staffing of the Company's internal audit function.
9. Review with management and the independent or internal auditor, as appropriate, any correspondence with regulators or governmental agencies and any Team Member complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.

10. Review any related-party transactions for potential conflicts of interests and approve the same if appropriate in the Committee's discretion.
11. Review with management and the auditors the effect of regulatory and accounting initiatives on the Company's financial statements.
12. Review with management and the auditors any off-balance sheet transactions or structures and the effect on the Company's financial results and operations.
13. Prepare the report required by Item 407(d)(3)(i) of Regulation S-K.

#### **VI. Other Policies and Procedures**

To ensure that management has appropriate policies and procedures for quality financial reporting and ethical behavior, the Committee, in conjunction with the Board, shall:

1. Discuss policies with respect to risk assessment and risk management, including discussing the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures and discussing the guidelines and policies to govern the process by which risk assessment and management is undertaken. Provide regular reports to the Board regarding the Committee's discussions with respect to risk assessment and risk management.
2. Discuss with the principal executive and financial officers of the Company any fraud, whether or not material, that involves management or other Team Members who have a significant role in the Company's internal controls.
3. Maintain 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 Team Members of the Company of concerns regarding questionable accounting or auditing matters.
4. Establish clear hiring policies for employees or former employees of the independent auditors.
5. Perform any other activities consistent with this Charter, the Company's Bylaws, governing law and the rules of the NASDAQ and/or the SEC, as the Committee deems necessary or appropriate.
6. Report regularly to the Board. The Committee shall review with the full board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's auditors, or the performance of the internal audit function.
7. Conduct an annual evaluation of the performance of the Committee.
8. Review and reassess the adequacy of this Charter annually.