

CNS, INC.
AUDIT COMMITTEE CHARTER

March 2003

Organization and Membership

The Audit Committee shall be comprised of not less than three directors, all of whom shall be “Independent” and “Financially Literate” each as defined below. In addition, at least one member of the Audit Committee shall have accounting or related financial management expertise.

The members shall be appointed by the Board of Directors upon recommendation of the Governance Committee. Members shall serve until resignation or removal by the Board of Directors. The Audit Committee chairperson shall be appointed by the Board of Directors upon recommendation of the Governance Committee.

The Committee shall meet as needed, consistent with its responsibilities as outlined below, and record all activities with copies of minutes to the Board of Directors.

Charter of Responsibilities

The Audit Committee shall assist the Board of Directors in its oversight of the Company’s financial reporting, controls, external audit processes, and the quality and integrity of financial disclosure and communications by the Company.

The responsibilities of the Audit Committee are summarized as follows:

Relationship to Independent Auditors

- 1) Approve the engagement and removal of the independent auditors, all in the sole judgment of the Audit Committee. Oversee the work of the Company’s independent auditors, who shall report directly to the Committee.
- 2) Approve all auditing services and permitted non-audit services provided by the independent auditors, and the fees and other significant compensation to be paid to the independent auditors.
- 3) Approve the scope of the annual audit and quarterly reviews and results of the annual audit. Periodically meet with the independent auditors in executive session, without management. Review the independent auditors’ plan to assure the audit provides substantive coverage of key internal control and financial risks.
- 4) Review quarterly in executive session with the independent auditors and assess the competence of the senior financial personnel and address any ethical concerns related to such personnel.
- 5) On an annual basis, obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

- 6) Report the results of the annual audit to the Board of Directors. Provide an opportunity for the full Board to meet with the independent auditors regarding the results of the annual audit, if so requested by the Board of Directors or deemed advisable by the Committee.

Relationship to Management and Independent Auditors

- 1) Meet with management at least quarterly to review management's disclosure of fraud and/or deficiencies, if any, in the design or operations of the Company's internal controls. Review significant findings prepared by the independent auditors together with management's responses. Direct improvements in existing practices where indicated.
- 2) Consult with the Chief Financial Officer and independent auditors on new developments in accounting and financial standards.
- 3) Review with management and the independent auditors, based on reports required from the independent auditors,
 - (a) all critical accounting policies and practices to be used;
 - (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments; and
 - (c) other material written communications between the independent auditor and management.
- 4) Review quarterly and annual financial results with the independent auditors and management and discuss earnings press releases prior to release to the public.
- 5) Review and comment on the Company's annual report to shareholders, annual report on Form 10-K, and quarterly reports on Form 10-Q. Recommend to the Company's Board of Directors the inclusion of the audited financial statements in the Company's annual report.
- 6) Obtain an annual report from the Company's Chief Financial Officer on tax and insurance matters. Review and assess significant tax issues with management and the independent auditors.
- 7) Resolve any disagreements between management and the independent auditors regarding financial reporting.
- 8) Review significant litigation and regulatory proceedings in which the Company is or may be involved, for analysis of potential impact on the Company's financial statements.
- 9) Receive reports from the Company's legal counsel regarding any dispute, litigation, regulatory matter or proceeding or any material violation of securities laws or breach of fiduciary duty or similar violation by the Company or any agent of the Company. The Committee is otherwise free to inquire into, but is not responsible, for legal matters.

General

- 1) Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, including allowing for the submission of confidential and anonymous complaints.
- 2) Annually submit a report to shareholders and review and approve other audit related information as required by the Securities and Exchange Commission to be included in the Company's annual proxy statement and/or annual report.
- 3) Review and reassess the adequacy of the Charter on an annual basis. If deemed necessary or advisable by the Committee or the Board of Directors, adopt an amended Charter and submit the amended Charter to the Board of Directors for approval. Publish this Audit

- Committee Charter as required by the Securities and Exchange Commission or any exchange or system on which the Company's securities are listed or quoted.
- 4) The Committee has the authority to conduct or authorize inquiries into any matter within the Committee's charter and is authorized to retain independent counsel, accountants, or any other expert it deems necessary to assist it, at the expense of the Company.
 - 5) Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

Definitions

As used in this Charter, the listed terms shall have the following definitions:

- 1) An "Independent" director shall be a director who meets the independence requirements for audit committee members as required by the Securities and Exchange Commission or any exchange on which the Company's securities are listed or any system on which the Company's securities are quoted.
- 2) "Financially Literate" means an ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement.