

## **ARGON ST AUDIT COMMITTEE CHARTER**

### **Function of the Committee:**

The Committee will assist the Board in fulfilling the Board's oversight responsibilities relating to accounting for the Corporation's financial position and results of operations, as well as such other matters as may from time to time be specifically delegated to the Committee by the Board.

While the Committee has the powers and responsibilities set forth in this Charter and the Corporation's Articles of Incorporation, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in compliance with generally accepted accounting principles, which is the responsibility of management and the outside auditors. Likewise, it is not the responsibility of the Committee to conduct investigations, to resolve disputes, if any, between management and the outside auditors or to assure compliance with laws or the Corporation's corporate compliance program or code of ethics.

### **Composition of the Committee:**

**Requirements.** The Committee will consist of at least three Board members. Each member of the Committee must be, in the opinion of the Board, free of any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities as a Committee member. In determining independence, the Board will observe the requirements of Rules 4200(a)(15); 4200A(a)(14) and 4350(d)(2) of The Nasdaq Stock Market, Inc. and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934 (the "Act"), subject to the exemptions provided in Rule 10A-3(c). In addition, no member shall have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement, and cash flow statement.

At least one member of the Committee must have had past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background that results in that individual's financial sophistication. Such experience may include being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

**Appointment.** The Board will appoint the members of the Committee. The Board will, or will delegate to the members of the Committee the responsibility to, appoint a Chairman of the Committee. The Chairman of the Committee will, in consultation with the other members of the Committee, the Corporation's outside auditors and the appropriate officers of the Corporation, be responsible for calling meetings of the Committee, establishing agenda therefore and supervising the conduct thereof.

### **Outside Auditors:**

The Committee, in its capacity as a committee of the Board, is directly responsible for the appointment, compensation, retention and oversight of any registered public accounting firm engaged (including those engaged for the purpose of resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. Each such registered public accounting firm must report directly to the Committee.

### **Responsibilities of the Committee:**

The Committee will:

1. Appointment of Outside Auditors: Appoint and set the compensation for any registered public accounting firm to be retained by the Corporation.
2. Review Independence of Outside Auditors: In connection with appointing any firm as the Corporation's outside auditors, review the information provided by management and the outside auditors relating to the independence of such firm, including, among other things, information related to the non-audit services provided and expected to be provided by the outside auditors.

The Committee is responsible for (1) ensuring that the outside auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the auditors and the Corporation consistent with Independence Standards Board Standard No. 1, (2) actively engaging in dialogue with the outside auditors with respect to any disclosed relationship or service that may impact the objectivity and independence of the outside auditors, and (3) taking appropriate action to oversee the independence of the outside auditors.

3. Review Audit Plan: Review with the outside auditors their plans for, and the scope of, their annual audit and other examinations.
4. Conduct of Audit: Discuss with the outside auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

5. Review Audit Results: Review with the outside auditors the report of their annual audit, or proposed report of their annual audit, the accompanying management letter, if any, the reports of their reviews of the Corporation's interim financial statements conducted in accordance with Statement on Auditing Standards No. 71, and the reports of the results of such other examinations outside of the course of the outside auditors' normal audit procedures that the outside auditors may from time to time undertake.
6. Review Financial Statements: Review with appropriate officers of the Corporation and the outside auditors the annual and quarterly financial statements of the Corporation prior to public release thereof.
7. Review Internal Audit Plans: Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.
8. Review Systems of Internal Accounting Controls: Review with management, the outside auditors, legal counsel, and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs the adequacy of the Corporation's internal accounting controls, the Corporation's financial, auditing and accounting organizations and personnel and the Corporation's policies and compliance procedures with respect to business practices.
9. Review Recommendations of Outside Auditors: Review with the appropriate members of the staff and management recommendations made by the outside auditors, as well as such other matters, if any, as such persons or other officers of the Corporation may desire to bring to the attention of the Committee.
10. Securities Exchange Act: Obtain assurance from the outside auditors that Section 10A of the Securities Exchange Act has been complied with.
11. Review Other Matters: Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Corporation as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.
12. Board Reports: Report its activities to the Board in such manner and at such times as it deems appropriate.
13. Complaint Procedures: Establish procedures for: (1) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (2) the

confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

**Meetings of the Committee:**

The Committee shall meet at least four times annually, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Committee may request any officer or employee of the Corporation or the Corporation's outside legal counsel or outside auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee may meet with management, the outside auditors and others in separate private sessions to discuss any matter that the Committee, management, the outside auditors or such other persons believe should be discussed privately.

**Advisers:**

The Committee may engage, at such times and on such terms as the Committee determines in its sole discretion and at the Corporation's expense, special legal, accounting or other advisers as it determines necessary to carry out its duties and responsibilities as set forth herein.

**Funding:**

The Corporation will provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for the 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 or the Corporation; (2) compensation to any advisers employed by the Committee pursuant to this Charter; and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**Annual Report:**

The Committee will prepare, with the assistance of management, the outside auditors and outside legal counsel, a report for inclusion in the Corporation's proxy or information statement relating to the Annual Meeting of security holders at which directors are to be elected that complies with the requirements of the federal securities laws.

**Annual Review of Charter:**

The Committee will review and reassess, with the assistance of management, the outside auditors and outside legal counsel, the adequacy of the Committee's Charter at least annually.