

AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee is appointed by the Board of Directors (the “Board”) of North American Scientific, Inc. (the “Company”) for the primary purposes of:

- Fulfilling the Board’s oversight responsibilities as they relate to the Company’s accounting policies and internal controls, financial reporting practices and legal and regulatory compliance, and
- Maintaining, through regularly scheduled meetings, a line of communication between the Board and the Company’s financial management and independent auditors.

2. MEMBERSHIP

The Audit Committee shall consist of three or more independent directors (as determined by the Board from time to time) who satisfy the independence requirements under applicable law, rules and regulations and of the Nasdaq Stock Market, Inc. (“Nasdaq”). Members of the Committee shall be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee and may be removed by the Board in its discretion. Each member of the Audit Committee must be able to read and understand financial statements, including the Company’s balance sheet, income statement and cash flow statement. The Chair of the Audit Committee, or at least one other member of the Audit Committee, shall be a “financial expert” as that term is defined by applicable law, rules and regulations and Nasdaq. The Chair shall be appointed by the Board.

3. POWERS AND RESPONSIBILITIES

A. *Financial Reporting*

General

- Review, with management and the independent auditors, significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Ask management and the independent auditors about significant exposure risks and the plans to minimize such risks;
- Resolve disagreements between management and the independent auditors regarding financial reporting; and
- Establish procedures, in accordance with applicable law, rules and regulations, for (a) 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.

Annual Financial Statements

- Review the annual financial statements and determine whether they are consistent with the information known to Audit Committee members;
- Inquire as to the existence and substance of any significant accounting accruals, reserves or estimates made by management that had or may have a material impact on the financial statements;
- Review with the independent auditors any problems encountered in the course of their audit, including any change in the scope of the planned audit work and any restrictions placed on the scope of such work and any management letter provided by the independent auditors and management's response to any such letter;
- Review with the independent auditors the adequacy of the Company's internal controls and any significant findings and recommendations;
- Meet with management and the independent auditors to review the financial statements and results of the audit;
- Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit;
- Review changes in accounting or auditing policies, including resolution of any significant reporting or operational issues affecting the financial statements; and
- Prepare the report of the Audit Committee, required by applicable laws, rules and regulations, to be included in the proxy statement for each annual stockholders meeting.

Interim Financial Statements

- Review (by full Committee or Chair) with management and the independent auditors the Company's quarterly financial statements in advance of filings with the U.S. Securities and Exchange Commission (the "SEC").

B. Internal Controls and Audit Coverage

- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that appropriate individuals possess an understanding of their roles and responsibilities;
- Confirm that internal control recommendations made by independent auditors have been implemented by management;

- Confirm that management and the independent auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal controls and certain other matters; and
- Review reports required to be submitted by the independent auditors concerning (a) critical accounting policies and practices used, (b) alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that have been discussed with management and the ramifications of such alternatives and the accounting treatment preferred by the independent auditors, and (c) any other material written communications with management.

C. *Compliance with Laws and Regulations*

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) on any alleged fraudulent acts or accounting irregularities;
- Periodically obtain updates from management and counsel regarding compliance;
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- Review, with the Company’s counsel, any legal matters that could have a significant impact on the Company’s financial statements; and
- Review the findings of any examinations by regulatory agencies, such as the SEC.

D. *External Audit*

The Company’s independent auditors are ultimately accountable to the Audit Committee, which has the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors. In connection with its oversight of the external audit, the Audit Committee shall:

- Have the sole authority to appoint and replace (subject to stockholder approval, if deemed advisable by the Board of Directors) the independent auditors;
- Have the sole authority to approve the engagement letter and the fees to be paid to the independent auditors;
- Pre-approve all permitted non-audit services to be performed by the independent auditors (subject to the de minimus exceptions under applicable law, rules and regulations). However, the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant such pre-approvals, and the decisions of any member to whom such authority is delegated

shall be presented to the full Audit Committee at its next regularly scheduled meeting;

- Obtain confirmation and assurance as to the independence of the independent auditors, including ensuring that they submit on a periodic basis (not less than annually) to the Audit Committee a formal written statement delineating all relationships between such independent auditors and the Company;
- Review and evaluate the performance of the independent auditors, as the basis for a decision to reappoint or replace the independent auditors; and
- Assure regular rotation of the lead audit partner, as required by applicable law, rules and regulations, and consider whether rotation of the independent auditor is necessary to ensure independence.

E. Other Responsibilities

- Hold Audit Committee meetings at least quarterly and meet at least annually with each of the chief financial officer and the independent auditors;
- Review and make approval decisions regarding all “related-party transactions”;
- Meet with the independent auditors and management in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately;
- As appropriate, obtain advice and assistance from outside legal, accounting or other advisers and determine the funding for such advice and assistance which shall be paid by the Company;
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist;
- Perform such other oversight functions as may be requested by the Board;
- Review and reassess annually the adequacy of this Charter and recommend any proposed changes to the Board; and
- Regularly update the Board about Audit Committee activities and make appropriate recommendations.

4. MEETINGS

Meetings of the Audit Committee shall be scheduled as deemed necessary by the Chair. Members of management, the independent auditors, and other independent consultants requested by the Audit Committee will attend the Audit Committee meetings when and as may be requested by the Audit Committee.

A simple majority of the members of the Audit Committee, but not less than two, shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Audit Committee. The Audit Committee will meet at such times as shall be determined by the Chair, or upon the request of any two of its members. The Chair will preside, when present, at all Audit Committee meetings. Minutes of Audit Committee meetings will be recorded as directed by the Chair and will be subject to review by the Chair.

In discharging its responsibilities, the Audit Committee may meet privately with independent consultants and is free to speak directly and independently with the independent auditors and any members of management or employees.

The Chair will periodically report the Audit Committee's findings, conclusions and recommendations to the Board and present to the Board an annual performance evaluation of the Audit Committee. The Audit Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with GAAP. This is the responsibility of management and the independent auditors.