

AMERICAN SHARED HOSPITAL SERVICES
A California Corporation
(the “Company”)

Audit Committee Charter
Adopted June 17, 2004

Purpose

The Audit Committee (the “Committee”) is created by the Board of Directors of the Company to:

- assist the Board in its oversight responsibilities by overseeing the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company by reviewing
 - the qualifications, independence and performance of the Company’s independent auditors;
 - the quality and integrity of the financial statements of the Company; and
- prepare the audit committee report that Securities and Exchange Commission (the “SEC”) rules require to be included in the Company’s annual proxy statement.

It is not the duty of the Committee to determine that the Company’s financial statements are complete and accurate and are in accordance with GAAP or to plan or conduct audits. This is the responsibility of management and the independent auditors.

Membership

The Committee shall consist of at least three members, comprised solely of independent directors meeting the independence and experience requirements of the American Stock Exchange. The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Committee members shall be appointed by the Board and may be removed by the Board at any time. The Board shall designate the Chairperson of the Committee.

Authority and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, to fulfill its responsibilities and duties, the Committee shall:

Independent Auditors

- Be directly responsible for the appointment, compensation, retention and oversight (subject, if applicable, to shareholder ratification) of the independent auditors engaged to conduct the audit of the Company (including resolution of disagreements between management and the independent auditors regarding financial reporting) or other audit,

review or attest services. The independent auditors shall report directly to the Committee.

- Pre-approve all audit services and permissible non-audit services to be provided by the independent auditors either before the independent auditors are engaged to render such services or pursuant to pre-approval policies and procedures established by the Committee. The Committee may delegate its authority to pre-approve services to one or more Committee members, provided that such designees present any such approvals to the full Committee at the next Committee meeting.
- Evaluate the independent auditors' qualifications, performance and independence. As part of such evaluation, at least annually, the Committee shall obtain a formal written statement from the Company's independent auditors describing all relationships between the independent auditors and the Company consistent with Independence Standards Board Standard No. 1; actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor; and take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditors.

Financial Statements; Disclosure and Other Compliance Matters

- Review, in conjunction with management, the Company's policies generally with respect to the Company's earnings press releases and with respect to financial information and earnings guidance provided to analysts and rating agencies, including the use of non-GAAP financial information.
- Review with management and the independent auditors, in separate meetings if the Committee deems it appropriate:
 - the annual audited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the filing of the Company's Form 10-K. As part of such review, the Committee shall obtain a report from the Company's independent auditors on those matters required pursuant to SEC Regulation S-X Rule 2-07;
 - either on its own or through its Chairperson, the quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the filing of the Company's Form 10-Q; and
 - either on its own or through its Chairperson, the quarterly and annual earnings press releases prior to their publication.
- Review, in conjunction with the chief executive and financial officers of the Company, the Company's internal controls and disclosure controls and procedures, including whether there are any significant deficiencies in the design or operation of such controls and procedures, material weaknesses in such controls and procedures, any corrective

actions taken with regard to such deficiencies and weaknesses and any fraud involving management or other employees with a significant role in such controls and procedures.

- Review and discuss with the independent auditors those matters required to be discussed with the Audit Committee by the auditors pursuant to Statement on Auditing Standards No. 61, as amended.
- Recommend to the Board that the annual audited financial statements be included in the Company's Form 10-K for filing with the SEC.
- Prepare the audit committee report that Securities and Exchange Commission rules require to be included in the Company's annual proxy statement.
- Approve all related party transactions, as defined by applicable American Stock Exchange rules, to which the Company is a party.
- Establish 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 employees of the Company of concerns regarding questionable accounting or auditing matters.

Reporting to the Board

- The Committee shall report to the Board periodically. This report shall include a review of any recommendations or issues that arise with respect to the qualifications, independence and performance of the Company's independent auditors, the quality or integrity of the Company's financial statements, and any other matters that the Committee deems appropriate or is requested to be included by the Board.
- The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

Procedures

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter, but not less frequently than quarterly. The Chairperson of the Committee, in consultation with the other Committee members, shall determine the frequency and length of the Committee meetings and shall set meeting agendas consistent with this Charter.

The Committee shall meet separately, periodically, with management or other personnel responsible for internal control functions, and with the independent auditors.

The Audit Committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Audit Committee.

The Audit Committee shall have available appropriate funding from the Company as determined by the Audit Committee for payment of:

- compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- compensation to any advisers employed by the Audit Committee; and
- ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Committee may delegate its authority to subcommittees or the Chairperson of the Committee when it deems appropriate and in the best interests of the Company.