



TSS, INC.

AUDIT COMMITTEE CHARTER

As Adopted March 7, 2007 and Amended July 27, 2007, January 3, 2012, and March 13, 2013

A. STATEMENT OF POLICY

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibilities to the Company, its stockholders, the investment community, and others by reviewing the financial reports and related financial information provided by the Company to governmental agencies or the general public, the Company's systems of internal and disclosure controls and the effectiveness of its control structure, the Company's compliance with designated laws and regulations, and the Company's accounting, internal and external auditing, and financial reporting processes.

The Audit Committee's function is one of oversight only; both management and the independent auditor have more knowledge of, and detailed information concerning, the Company than do Audit Committee members. Consequently, in carrying out its oversight responsibilities, the Audit Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work. The existence and functioning of the Audit Committee do not relieve the Company's management from its responsibility for preparing financial statements that accurately and fairly present the Company's financial results and condition, or the independent auditor from its responsibilities relating to the audit or review of financial statements.

In discharging its responsibilities, the Committee shall:

- serve as an independent and objective party to monitor the Company's financial reporting process and internal control and disclosure control systems;
- review any request of any of the directors and executive officers for any deviation or waiver from the Company's Code of Ethics and, if appropriate, approve such request;
- review and evaluate the audit procedures and results of the Company's independent auditor and internal auditors;
- approve, engage, and/or terminate the independent auditor;
- review and evaluate the independent auditor's qualifications, performance, and independence;
- review, evaluate, and approve in advance any non-audit services the independent auditor may perform for the Company and disclose such approved non-auditor services in periodic reports to stockholders;
- inquire of senior management of known or potential instances of non-compliance with applicable laws, regulatory policies (including SEC reporting requirements), and the Company's Code of Ethics as they relate to the functions and responsibilities of the Committee;

- be informed by the Company's counsel of material litigation in which the Company is involved or in which management believes involvement of the Company is reasonably likely;
- periodically inquire about and review the Company's policies and procedures regarding the review of officers' expense reports and perquisites for compliance with proper reporting, accounting and tax treatment;
- review, evaluate and approve in advance related person transactions in accordance with the Procedures for Related Person Transactions;
- maintain free and open means of communication between the Board, the independent auditor, the internal auditors, and the management of the Company;
- periodically review and update this charter for consideration by the Board; and
- such additional duties or responsibilities as the Board may determine from time to time.

B. ORGANIZATION

The members of the Committee shall be appointed by the Board and may be removed only by the Board. The Committee will have a minimum of one member. The Committee may consult or retain its own outside legal, accounting or other advisors and shall determine the degree of independence from the Company required from said advisors. The Committee shall report directly to the full Board on any issues that arise with respect to the quality and integrity of the Company's financial statements, the Company's compliance with legal and/or regulatory requirements, the performance and independence of the Company's independent auditor, or the performance of the internal audit function. The Committee may also meet periodically by itself to discuss matters it determines require private Committee or Board attention. Further, the Committee shall meet separately with management, with the internal auditors or others performing the internal audit function, and with the independent auditor. Half of the members of the (or the only member) Committee shall be a quorum to transact business. The Committee shall maintain minutes of each meeting and shall report on matters considered at Committee meetings to the Board at its next regularly scheduled Board meeting.

C. QUALIFICATIONS

The Committee shall be composed entirely of independent directors, determined in accordance with the Securities Exchange Act of 1934, SEC regulations and application Nasdaq criteria. The members of the Committee, as determined by the Board, shall be "financially literate" in accordance with applicable SEC regulations and Nasdaq criteria, and at least one member shall have accounting or related financial management expertise. Upon the departure of a Committee member with accounting or related financial management expertise, the Company will use its best efforts to identify a replacement with accounting/financial management expertise within ninety (90) days. Each Committee member shall satisfy the experience requirements of Nasdaq.

D. INDEPENDENT AUDITOR

The Committee will be directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor engaged (including 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 Company. The independent auditor shall be engaged by and accountable to the Committee and the Board and shall report directly to the Committee. The Committee shall have the sole authority to engage and terminate the independent auditor, to approve

all audit engagement fees and terms, to review with the independent auditor the nature and scope of any disclosed relationships or professional services, and to take, or recommend that the Board take, appropriate action to ensure the continuing independence of the auditor. The Committee shall also set clear policies and standards relating to the Company's hiring of employees or former employees of the independent auditor to ensure continued independence.

The Committee shall, on an annual basis, obtain from the independent auditor a written disclosure delineating all of its relationships and professional services as required by applicable professional standards. The Committee will also obtain and review a report of the independent auditor describing its internal quality-control procedures, material issues raised by the most recent internal quality-control review of the independent auditor or an inquiry or investigation by a governmental authority involving one or more audits carried out by the independent auditor in the preceding five years, and any steps or procedures taken to deal with any such issues. After reviewing the independent auditor's report, the Committee shall evaluate the auditor's qualifications, performance, and independence. The Committee may consider the opinions of the Company's management and internal audit function in making such evaluation.

The independent auditor shall ascertain that the Committee is made aware of, and timely report to the Committee, and upon receipt thereof, the Committee shall review, all necessary accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and the risks of using such alternative treatments, and inform the Committee of other material written communications between the independent auditor and management.

E. FINANCIAL REPORTING OVERSIGHT

In discharging its responsibilities to oversee governmental and public reporting of financial information, the Committee shall:

- review and discuss the annual audited financial statements, footnotes and related disclosures included in the Company's annual report to stockholders and its annual report on Form 10-K with financial management, the independent auditor, and the internal auditors prior to the release and filing of such documents (including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations") (this review shall cover discussion of all items required by generally accepted auditing standards regarding required communications with Committees);
- review with the independent auditor the results of its annual examination of the financial statements, including their report thereon, and determine its satisfaction with the disclosures and content of the financial statements (this review shall cover discussion of all items required by generally accepted auditing standards regarding required communications with Committees);
- ascertain that the results of any internal audit activity or regulatory reports were appropriately considered in preparing the financial statements;
- review and discuss the quarterly financial results and information and the disclosures with financial management, the independent auditor, and the internal auditors to determine that the independent auditor does not take exception to the disclosure and content of the financial statements included in quarterly reports on Form 10-Q (including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations"), to determine that the results of any internal audit activity or regulatory reports were appropriately considered in preparing the financial statements, and to discuss any other matters required to be communicated to the Committee by the independent auditor;

- review and discuss the types of presentation and information to be included in earnings press releases (particularly, any use of “pro forma” or “adjusted” non-GAAP information), and any additional financial information and earning guidance generally provided to analysts and rating agencies;
- inquire of management, the internal auditors, and the independent auditor about significant risks or exposures to risk and discuss guidelines and policies to govern the steps management has taken to minimize such risk to the Company;
- review the effect of regulatory or accounting initiatives, including off-balance sheet structures and transactions, on the financial statements of the Company;
- review and discuss the form and content of the certification documents for the quarterly reports on Form 10-Q and the annual report on Form 10-K with the internal audit function, the independent auditor, the chief financial officer, and the chief executive officer;
- review the basis for the disclosures made in the annual report to stockholders under the heading “Management’s Report on Internal Controls” regarding the control environment of the Company; and
- consider, produce and approve the annual proxy disclosure regarding the activities and report of the Committee for the year.

F. LINES OF COMMUNICATION

The internal auditors and the independent auditors shall have the ability to communicate directly with the Chairman of the Committee if necessary or desired. The Committee shall provide sufficient opportunity at its meetings for the independent auditors and the internal auditors to meet with the members of the Audit Committee without members of management present.

The Company’s counsel may report directly to the Committee about legal compliance. The Committee may directly contact any employee in the Company, and any employee may inform the Committee of matters involving questionable, illegal, or improper practices or transactions. The Company’s Code of Ethics shall ensure a confidential and anonymous complaint process. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.

The Committee shall establish and maintain free and open means of communication between employees and the Committee for the processing of complaints received by the Company regarding questionable accounting or auditing matters, including suspicions of fraudulent activity.