

**COSI, INC.**  
**AMENDED AND RESTATED AUDIT COMMITTEE CHARTER**

**Status**

There shall be a committee of the Board of Directors of Cosí, Inc. (the “Corporation”) to be known as the Audit Committee. The Audit Committee shall be governed by this Charter, which has been approved by the Board of Directors.

**Statement of Policy**

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Corporation and the audits of the Corporation’s financial statements. In so doing, the Audit Committee shall meet at least quarterly, and more frequently as appropriate, and maintain free and open communications between the directors, the auditing firm engaged by the Corporation (the “outside auditors”), persons performing the internal audit function (the “internal auditors”) and the financial management of the Corporation. The Audit Committee shall provide sufficient opportunity for the internal auditors and outside auditors to meet with the members of the Audit Committee without the members of management present. The Audit Committee may request any officer or employee of the Corporation or the Corporation’s outside counsel or outside auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall regularly make reports to the Board of Directors and make recommendations to the Board of Directors as appropriate.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Audit Committee.

**Composition**

The Audit Committee shall be composed of at least three directors who are independent in accordance with the requirements of The Nasdaq Stock Market (“Nasdaq”), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Rule 10A-3(b)(1) of the Exchange Act. No Audit Committee member shall have participated in the preparation of the financial statements of the Corporation or any of its subsidiaries at any time during the past three years.

Each member of the Audit Committee shall have the ability to read and understand the Corporation’s financial statements, including its balance sheet, income statement and cash flow statement. In addition, at least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

At least one member of the Audit Committee shall, in the judgment of the Board of Directors, be an “audit committee financial expert” in accordance with Item 401(h)(2) of Regulation S-K.

## **Responsibilities**

The Audit Committee's role is one of oversight. Management of the Corporation and the outside auditors have more detailed information about the Corporation as the result of their responsibilities in preparing the Corporation's financial statements and performing audits thereon. As such, the Audit Committee is not providing expert or special assurances as to the Corporation's financial statements or the outside auditor's professional review, but is responsible for providing oversight of these functions. In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to assure the directors and shareholders that the corporate accounting and reporting practices of the Corporation are in accordance with regulatory requirements and are of the highest quality.

In carrying out these responsibilities, the Audit Committee will:

- Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm 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 Corporation. The outside auditor shall directly report to the Audit Committee.
- Ensure the receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the Corporation, consistent with Independence Standards Board Standard No. 1, and actively engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board of Directors take, appropriate action to oversee the independence of the outside auditor.
- Review and preapprove all auditing and non-audit services provided to the Corporation by the outside auditor, other than as may be allowed by applicable law. The Audit Committee may delegate to one or more designated Audit Committee members the authority to grant the preapprovals required by the foregoing sentence. The decision of any Audit Committee member to whom authority is delegated hereunder shall be presented to the Audit Committee at each of its scheduled meetings. Preapproval authority may not be delegated to management.
- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters.

- Review and discuss timely reports from the outside auditor regarding: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments within GAAP for policies and procedures related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditor and (iii) other material written communications between the outside auditor and management, such as any management letter or schedule of unadjusted differences.
- Determine, and the Corporation shall provide, the appropriate funding for the payment of (i) compensation to any outside auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (ii) compensation to any advisers employed by the Audit Committee and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
- On a quarterly basis, review and discuss with the registered public accounting firm, management (including the Corporation's Chief Executive Officer and Chief Financial Officer) and the Corporation's internal auditor, as appropriate, the following:
  - (a) the principal executive officer and principal financial officer certifications required to be made in connection with the Corporation's periodic reports under the Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002;
  - (b) all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect the Corporation's ability to record, process, summarize and report financial data, including any material weaknesses in internal controls over financial reporting identified by the Corporation's registered public accounting firm;
  - (c) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls over financial reporting and
  - (d) any significant changes in internal controls over financial reporting or in other factors that could significantly affect internal controls over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.
- Annually, obtain a written report from management on the effectiveness of internal controls over financial reporting, including controls over financial reporting designed to prevent or mitigate financial statement fraud, and review the effectiveness of internal controls over financial reporting with management, the Corporation's internal auditor and registered public accounting firm.

- Discuss the Corporation’s policies for financial risk assessment and management, including accounting and audit-related exposure, and the steps management has taken to monitor and control such exposures. The Audit Committee shall discuss guidelines to govern the policies by which financial risk assessment and management is undertaken.
- Review the annual audited financial statements with management, including major issues, if any, regarding accounting principles.
- Evaluate whether it is appropriate to adopt a policy of rotating outside auditors on a regular basis.
- Review and approve the appointment or change of the Corporation’s Director of Internal Audit (however titled, the “internal auditor”) and review with the internal auditor:
  - (a) the scope of the annual internal audit plan and the results of completed internal audits and
  - (b) any comments the internal auditor may have on (i) major issues related to the Corporation’s internal controls, financial reporting or internal audit activities; (ii) restrictions, if any, imposed thereon; (iii) management’s response with respect thereto and (iv) any material disagreements with respect thereto.
- Meet with the outside auditors and financial management of the Corporation to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of each such audit, discuss with the auditors the matters required to be discussed by Statement on Auditing Standards No. 61, including any comments or recommendations of the outside auditors, and including assurance that no matter has arisen with respect to Section 10A of the Securities Exchange Act of 1934.
- Review with the outside auditors, the internal auditors and financial and accounting personnel: (i) significant financial reporting issues and judgements made in connection with the preparation of the Corporation’s financial statements; and (ii) the adequacy and effectiveness of the accounting and financial controls of the Corporation, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- Review and discuss with the outside auditor any transaction involving the Corporation and any related party and any transaction involving the Corporation and any other party in which the parties’ relationship could enable the negotiation of terms on other than an independent, arms’-length basis.

- Discuss with the outside auditor any item not reported as a contingent liability or loss in the Corporation's financial statements as a result of a determination that such item does not satisfy a materiality threshold. Review with the outside auditor the quantitative and qualitative analysis applied in connection with such assessment of materiality, including, without limitation, the consistency of such assessment with the requirements of SEC Staff Accounting Bulletin No 99.
- Review the internal audit function of the Corporation, including the independence and authority of reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the outside auditors.
- Receive prior to each meeting at which the subject is discussed, a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.
- Review annually with financial management and the Corporation's outside auditors, the Corporation's accounting policies in light of the Corporation's current operations, generally accepted accounting principles and Securities and Exchange Commission ("SEC") rules and regulations.
- Ensure review of the Corporation's interim financial information by the Corporation's outside auditors in accordance with applicable generally accepted auditing standards prior to the inclusion of such information on SEC Form 10-Q.
- Review with management and the outside auditors the Corporation's year-end audited financial statements to determine whether to recommend to the Board of Directors that the Corporation's audited financial statements shall be included in its SEC Form 10-K.
- Review earnings releases issued by the Corporation.
- Prepare with assistance of management, the outside auditors and, where appropriate, legal counsel, the Audit Committee Report for inclusion in the Corporation's annual proxy statement in accordance with applicable SEC regulations.
- Ensure compliance with the written confirmation required by NASD rules regarding the Audit Committee Charter and Audit Committee members.
- Discuss periodically with management and the Corporation's legal counsel the Corporation's Code of Conduct and, as appropriate, the compliance of the Corporation's subsidiaries and employees with the Code of Conduct and applicable legal requirements.
- Review the Audit Committee Charter annually and recommend any changes to the Board of Directors for their approval.

- Ensure that a copy of this charter is included in the Corporation's annual proxy statement at least once every three years.

#### Additional Responsibilities

- The Audit Committee shall also serve as the Qualified Legal Compliance Committee ("QLCC"), as such term is defined by the Securities and Exchange Commission in 17 CFR 205, and perform the duties set forth on Attachment 1 to this Charter.

**Qualified Legal Compliance Committee (“QLCC”)  
DUTIES AND RESPONSIBILITIES**

The QLCC has the authority and responsibility to:

1. Adopt written procedures for the confidential receipt, retention and treatment of any report of evidence of a material violation of any applicable United States federal or state securities law, a material breach of fiduciary duty arising under United States federal or state law or a similar material violation of any United States federal or state law (“Material Violation”);
2. Inform the Corporation’s chief legal officer and chief executive officer (or the equivalents thereof) of any report of evidence of a Material Violation, except if the QLCC believes that to do so would be futile;
3. Determine whether an investigation is necessary regarding any report of evidence of a Material Violation by the Corporation, its officers, directors, employees or agents and, if it determines an investigation is necessary or appropriate, to:
  - a. notify the full Board of Directors;
  - b. initiate an investigation, which may be conducted either by the chief legal officer (or equivalent) or by outside attorneys; and
  - c. retain such additional expert personnel as the QLCC deems necessary;
4. If such investigation was necessary, then at the conclusion, to:
  - a. recommend, by a majority vote, that the Corporation implement an appropriate response to evidence of a Material Violation; and
  - b. Inform the chief legal officer, the chief executive officer (or the equivalents thereof) and the Board of Directors of the results of any such investigation and the appropriate remedial measures to be adopted; and
5. By majority vote, to take all other appropriate action, including notifying the authority to notify the Securities and Exchange Commission in the event that the Corporation fails in any material respect to implement an appropriate response that the QLCC has recommended.