

UNIVERSAL SAFETY PRODUCTS, INC.

AUDIT COMMITTEE CHARTER

PURPOSE

The role of the Audit Committee (the “**Committee**”) is to oversee:

- Management in the performance of its responsibility for the integrity of the Company’s accounting and financial reporting, and its systems of internal controls;
- The performance and qualifications of the independent auditor (including the independent auditor’s independence);
- The performance of the Company’s internal audit function; and
- The Company’s compliance with legal and regulatory requirements.

Consistent with this oversight function, the Committee shall authorize investigations into any matters within the Committee’s responsibilities and, in doing so, the Committee shall have full access to the Company’s records, employees, and independent auditor (with or without the presence of management).

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain legal, accounting or other advisors for advice and assistance. The Company shall pay the costs of retaining any advisors selected by the Committee.

The Committee shall meet at least four times each year or more frequently as circumstances dictate. The Committee shall meet with the Company’s independent auditor at least quarterly, and shall meet with the Company’s Chief Financial Officer (“**CFO**”) at least annually or more frequently as circumstances dictate.

The Committee shall review and reassess the adequacy of this Charter at least annually. Any proposed changes shall be submitted to the Company’s Board of Directors (the “**Board**”) for its approval. The Committee shall annually evaluate the processes, activities and effectiveness of the Committee, including the composition, expertise, and availability of the Committee members.

STRUCTURE AND MEMBER QUALIFICATIONS

The members of the Committee shall be annually appointed by the Board, and may be replaced by the Board according to the Company’s Bylaws.

The Committee shall have at least three members and shall consist solely of “independent” Directors, consistent with the listing standards of the American Stock Exchange and applicable legal requirements.

The membership of the Committee shall have the following qualifications:

- Each member of the Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement or will become able to do so within a reasonable period of time after his or her appointment to the Committee.
- At least one member of the Committee must 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.
- If the Board determines, at least one member shall qualify as an “audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”).

The Board will assess and determine the qualifications of the Committee members set forth in this Charter.

The Board shall select the Audit Committee Chair. If a Chair is not designated or present, a Chair may be designated by a majority vote of the Committee members present.

RESPONSIBILITIES AND DUTIES

The Committee recognizes that the Company's management is responsible for the completeness and accuracy of the Company's financial statements and disclosures and for maintaining effective internal controls. The Committee also recognizes that the independent auditor is responsible for auditing the Company's financial statements. Accordingly, management and the independent auditor have more knowledge and more detailed information about the Company than do Committee members and the Committee's primary responsibility is oversight. In carrying out its oversight responsibilities, the Committee will be relying, in part, on the expertise of management and the independent auditor.

The Committee shall be responsible for the appointment, compensation, removal, and oversight of the work of the independent auditor. The independent auditors shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.

To fulfill this oversight responsibility, the Committee should receive reports from management and the independent auditor, as appropriate, to fulfill the following duties and responsibilities (which, to the extent permitted by applicable regulation, may be delegated to one or more members of the Committee):

Risk Assessment

- Assess the Company's risk management process and the adequacy of the overall control environment, including controls in selected areas representing financial reporting, disclosure and compliance.
- Assess any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- Assess the annual scope and plans of the independent auditors.

Financial Reporting and Disclosure

- Review and discuss with management and the independent auditor the annual audited and quarterly financial statements, related footnotes, disclosures made in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's quarterly and annual SEC filings, the opinion of the independent auditor with respect to the audited financial statements, and the results of the independent auditor's quarterly review of the financial statements.
- Review and discuss with management and the independent auditor any significant events, transactions, changes in accounting estimates, changes in important accounting principles and their application, and any major issues as to the adequacy of internal controls affecting the quality of the Company's financial reporting.
- Review, in conjunction with its review of the quarterly and annual reports, the process for the Chief Executive Officer ("CEO") and CFO certifications with respect to the financial statements and the Company's disclosure and internal controls.
- Evaluate all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data.
- Review and discuss with management any proposed public release of earnings information, as well as financial information provided to analysts and rating agencies.

Independent Auditor Oversight Responsibilities

- Based upon a report from the independent auditor at least annually, review (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any recent inquiry or investigation by governmental or professional authorities respecting

one or more independent audits carried out by the firm and (c) any steps taken to address any such issues.

- Ensure that the independent auditor submits, on a periodic basis, a formal written statement delineating all relationships between the independent auditor and the Company, as required by the Independence Standards Board, Standard No. 1; discuss the statement with the independent auditor and evaluate the relationships and services that may affect the auditor's objectivity and independence; take appropriate action to satisfy itself of the auditor's independence.
- Review matters related to the conduct of the annual audit, which are required to be communicated by AICPA Statement of Auditing Standards 61 and other generally accepted auditing standards.
- Conduct the annual discussion with the independent auditor on the quality and acceptability of the Company's accounting principles and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the potential impact of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
- Review the independent auditor's management letter.
- Review with the independent auditor any audit problems or difficulties and management's response.
- Approve in advance all audit and non-audit services to be provided by, and all fees to be paid to, the independent auditor or devise policies delegating pre-approval authority to one or more members of the Committee.

Ethical, Legal and Regulatory Compliance Matters

- Assess the Company's processes regarding compliance with applicable laws, regulations and any code of business ethics adopted by the Board, including those matters that could have a significant impact on the financial statements, compliance with policies, reports from regulators and the provisions of any such code of business ethics applicable to the CEO and the Company's senior financial officers as defined by the SEC rules.
- Assess the Committee's procedures for (a) the 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 concerns regarding questionable accounting or auditing matters.
- Review reports and disclosures of significant conflicts of interest and related-party transactions.

REPORTS

The Committee shall report to the Board with respect to its activities as promptly as practicable following each meeting of the Committee. The Committee shall report to shareholders in the Company's proxy statement for its annual meeting, whether the Committee has satisfied its responsibilities under this Charter.