

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

AUDIT COMMITTEE CHARTER

PRIMARY PURPOSE

To provide independent and objective oversight of the accounting functions and internal controls of the Company to ensure the objectivity of the Company's financial statements and to provide the Board of Directors of the Company (the "Board") with reliable information obtained through direct personal contact with the independent accountants and the financial management of the Company in order to assist the Board in the discharge of its fiduciary obligations to the Company's stockholders.

SCOPE

1. Maintain the sole authority and responsibility to select, evaluate and, where appropriate, replace, the Company's independent accountants and determine the compensation of the independent accountants.
2. Approve, in advance, any audit or non-audit services to be provided by the independent accountants.
3. Review the scope of the proposed audit to be performed and evaluate its effectiveness as it relates to the Company's special areas of interest.
4. Review the results of the audit, as well as discuss the financial statements and any changes or improvements in the Company's accounting practices and internal controls suggested by the independent accountants, with the independent accountants and the financial management of the Company.
5. Review the adequacy of the internal financial and operational controls of the Company with the independent accountants and keep the Board informed of its findings.
6. Review significant developments in accounting rules and review with management and the independent accountants recommended changes in the Company's methods of accounting or financial statements resulting therefrom.

GENERAL GUIDELINES

1. Charter: The Committee will review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.
2. Composition: The Committee will be comprised of three or more directors as determined by the Board at its annual organizational meeting. The members of the Committee will meet the independence and experience requirements of applicable Nasdaq and Securities and Exchange Commission ("SEC") rules. At least one member of the Committee shall be a "financial expert" within the meaning of Section 407 of the Securities Exchange Act of 1934, as amended.
3. Meetings: The Committee will meet at least twice a year, and special meetings will be called as circumstances require. The Committee will meet privately with the independent public accountants at least annually. A quorum of the Committee shall be declared when a majority of the appointed members of the Committee are in attendance at any such meeting. Written minutes will be kept for all such meetings.
4. Reporting to the Board: The Committee will report its activities to the full Board on a regular basis so that the Board is kept informed of its activities on a current basis.

5. Approval of Audit and Non-Audit Services. The Committee will approve, in advance, any audit and non-audit services to be provided by the independent accountants and shall determine the compensation of the independent accountants for such services.
6. Audit Plans: The Committee will review the annual audit plans with the Chief Financial Officer and the independent accountants, and discuss the degree of coordination of the respective plans.
7. Internal Controls: The Committee will review with the independent accountants the adequacy of the Company's internal controls. It will also request a letter from the independent accountants concerning any significant weaknesses or breaches of internal control discovered during the course of their audit.
8. Accounting Issues and Contingencies: The Committee will discuss with both management and the independent public accountants any significant developments and changes in accounting rules (*i.e.*, accounting standards or rules proposed by the Financial Accounting Standards Board ("FASB") or the SEC) and any other significant accounting issues. The Committee will also inquire about significant contingencies.
9. Complaint Procedures: The Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of concerns regarding alleged questionable accounting or auditing matters.
10. Oversight of Conflicts on Interest Issues: The Committee shall review significant conflicts of interests involving directors or executive officers. The Committee shall review compliance with the Company's policies and procedures with respect to officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or independent accountants. The Committee shall review and approve, in advance, all "related party transactions" as described in SEC Regulation S-K, Item 404(a).
11. Investigative Authority: The Committee is authorized to confer with Company management and other employees to the extent that it may deem necessary or appropriate to fulfill its duties, and is authorized to conduct or authorize investigations into any matters within the scope of its responsibilities.
12. Independent Advisors: The Committee may from time to time engage independent counsel and other advisors as it may deem appropriate to assist the Committee in fulfilling its duties, provided that it shall keep the Board advised as to the nature and extent of such outside advice. The Company shall provide appropriate funding for the Committee to retain such advisors.

INDEPENDENT ACCOUNTANT OVERSIGHT

The Committee shall have the sole authority and responsibility to select, evaluate and, where appropriate, replace, the Company's independent accountants. The Committee shall evaluate the performance of the independent accountants on at least an annual basis. As part of its responsibilities to select and evaluate the independent accountants, the Committee may consider the following guidelines, as deemed appropriate by the Committee, together with any other factors which the Committee determines to consider in connection with its selection and evaluation of the independent accountants:

1. Opinions on the performance of the independent public accountant by appropriate management personnel;
2. The proposed audit fee and explanation of fee changes;
3. Reports presented by the independent accountants regarding their independence; and

4. The professional competency of the firm through inquiry about its latest peer review and any significant litigation problems or disciplinary actions by the SEC or others.

In performing its evaluation of the independent accountants, the Committee shall ensure that the independent accountants deliver to the Committee a formal written statement delineating all relationships between the Company and the independent accountants. The Committee shall also engage in a dialogue with the accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants. In response to such report, the Committee will take appropriate action to satisfy itself of the independent accountants' independence.

PRE-AUDIT AND POST-AUDIT REVIEW GUIDELINES

1. The Committee will receive and review a draft of the financial section of the annual report to stockholders, complete with footnotes, and the Management's Discussion and Analysis (MD&A) section which will be consistent with other sections of the annual report.
2. The Committee will request an explanation from management and the independent accountants about the effect of significant changes in accounting practices or policies.
3. The Committee will inquire of management and the independent accountants if there were any significant financial reporting issues discussed during the current audit and, if so, how they were resolved.
4. The Committee will review, with management and the independent accountants, new or revised accounting standards or rules proposed by FASB or the SEC and will evaluate whether any such standards or rules will have a significant effect on the Company's financial statements.
5. The Committee will determine whether there are any significant items in dispute with the IRS which might result or have resulted in litigation and will inquire as to the status of and review related tax reserves and interest accruals.
6. The Committee will meet privately with the independent accountants annually to determine the quality of the Company's financial, accounting and auditing personnel.
7. The Committee will request a letter from the independent accountants concerning any significant weaknesses or breaches in internal control discovered during their audit.
8. The Committee will discuss with management and the independent accountants the substance of any significant issues raised by outside counsel concerning litigation, contingencies or other claims; and how such matters affect the Company's financial statements.
9. The Committee will have a predetermined arrangement with the independent accountants that they will advise the Committee through its Chair and management of the Company of any matters identified through procedures followed for interim quarterly financial statements. Such notification is to be made prior to the related press release or, if not practicable, prior to filing the Quarterly Report on Form 10-Q.