

Audit Committee Charter (adopted August 15, 2002)

Organization

The Audit Committee (the “Committee”) of the Board of Directors of Waxman Industries, Inc. (the “Company”) is comprised of two directors, both of which are “independent directors,” as such term is defined by the Sarbanes-Oxley Act of 2002 (an “Independent Director”). To be “independent” under Sarbanes-Oxley, an audit committee member may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee, (i) accept any consulting, advisory or other compensatory fee from the issuer or (ii) be an affiliate of the issuer or any of its subsidiaries.

The Committee shall provide assistance to the directors of the Company in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of financial reports and open communication between the directors, the independent auditors and the financial management of the Company.

Responsibilities

The Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to facilitate corporate accounting and reporting practices that are in accordance with all applicable requirements that are of the highest quality.

In fulfilling these responsibilities, the Committee has enacted the following rules:

- 1) The Committee will obtain the full Board of Directors’ approval of this Charter and review and reassess the adequacy of this Charter as conditions dictate.
- 2) Each Committee member shall be able to read and understand fundamental financial statements or will become able to do so within a reasonable period of time after appointment to the Committee.
- 3) The Committee shall have at least one member that has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication. The Committee will disclose in SEC reports whether the committee includes at least one member who is a “financial expert”.
- 4) Each member of the Committee shall be independent.
- 5) The Committee shall have the direct responsibility for the hiring, compensation and oversight of all work performed by the independent auditors and shall be able to engage independent counsel or other outside advisors as needed.

- 6) Members of the audit committee cannot accept consulting, advisory or other compensatory fees from the company (other than directors' fees), or be an affiliated person of the company or a subsidiary.
- 7) The Committee will meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and timely quarterly reviews for the current year and the procedures to be utilized.
- 8) The Committee will review with the independent auditors, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- 9) The Committee will review reports from regulators and other legal and regulatory matters that have a material effect on the financial statements or related Company compliance policies.
- 10) The Committee will inquire of management and the independent auditors about the significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
- 11) The Committee will review the quarterly financial statements with the financial management and the independent auditors prior to the filing of the Form 10Q (or prior to the press release of results, if possible) to determine that the independent auditors do not take any exception to the disclosure and content of the financial statements, and discuss any other matters required to be communicated to the Committee by the auditors. The chair of the Committee may represent the entire Committee for purposes of this review.
- 12) The Committee will review the financial statements contained in the annual report to shareholders with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders. Review with financial management and the independent auditors the results of their timely analysis of significant reporting issues and practices, including changes in, or adoption of accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Committee by the auditors. Also review with financial management and the independent auditors their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates and other significant decisions made in preparing the financial statements.
- 13) The Committee will provide sufficient opportunity, including direct separate contact, for the independent auditors to meet or communicate with members of the Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial and accounting personnel, and the cooperation that the independent auditors received during the course of their audit.

- 14) The Committee will report the results of the annual audit to the Board of Directors. If required by the Board of Directors, invite the independent auditors to attend the full Board of Directors meeting to assist in reporting the results of the annual audit or to answer other directors' questions (or alternatively, the other directors, particularly the other independent directors, may be invited to attend the Committee meeting during which the results of the annual audit are reviewed).
- 15) On an annual basis, the Committee will obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Standard No. 1, Independence Discussions with Audit Committees. In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take appropriate action to oversee the continuing independence of the auditors.
- 16) The Committee will submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board of Directors.
- 17) The Committee will investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel or experts for this purpose if, in its judgment, that is appropriate.
- 18) The Committee will review the Committee's report, containing the information required to be stated therein by the rules of the Securities and Exchange Commission, to be set forth in the proxy statement for the Company's annual meeting of shareholders, and review other Company disclosure relating to the Committee required to be set forth in such proxy statements.
- 19) Prior to any event involving a related party transaction, the Committee will review and approve such transaction, or notify and request action on the related party transaction by the full Board of Directors of the Company.
- 20) The Committee will notify all employees of the Company annually of the procedures established for complaints received about accounting, internal controls or auditing matters, as well as confidential, anonymous submission by employees of the company regarding accounting or auditing matters.
- 21) The Committee will receive reports from the auditors regarding the company's critical accounting policies and material communications between the auditors and company management.