



AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors (the “Board”) of United Industrial Corporation (the “Company”) on April 28, 2004.

I. PURPOSE

The Audit Committee (the “Committee”) shall (a) assist the Board in overseeing: (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the qualifications and independence of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (an “Independent Auditor”), and (iv) the performance of the Company’s internal audit function and Independent Auditor; and (b) prepare the Committee report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement (the “Proxy Statement”).

II. COMMITTEE MEMBERSHIP

The Committee shall be composed of three or more members of the Board, each of whom is determined by the Board to be “independent” and each member shall meet the independence and financial literacy requirements of the NYSE, the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated by the SEC thereunder. In addition, the Committee shall at all times include at least one member who has accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. In addition, the Company shall endeavor at all times to have at least one member on the Committee who is a “financial expert” within the meaning of the Sarbanes-Oxley Act of 2002 (“SOX”) and the rules and regulations promulgated by the SEC.

No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

The members of the Committee shall be appointed by the Board and shall continue to be members until their successors are elected and qualified or until their earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by the Board at any time.

The Board may appoint one member to be the Chairman, who shall serve at the pleasure of the Board. If the Board fails to appoint a Chairman, the members of the Committee may elect a Chairman by majority vote of all members. The Chairman will chair all meetings of the Committee and set the agendas for Committee meetings.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct the audits or to determine that the Company's financial statements are complete, accurate and in accordance with U.S. generally accepted accounting principles ("GAAP"). This is the responsibility of management and the Company's Independent Auditor.

III. COMMITTEE MEETINGS

The Committee shall meet at least quarterly, or more frequently as circumstances dictate.

The Committee may call a special meeting of the Committee in accordance with the By-laws of the Company. Meetings of the Committee may be held telephonically. A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. In addition, the Committee may invite to its meetings any director, member of management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

The Committee shall hold separate meetings periodically with management, internal auditors (or other personnel responsible for the internal audit function) and the Independent Auditor. In addition, the Committee may form subcommittees to whom authority may be delegated, subject to all laws, regulatory requirements and NYSE rules.

IV. RESPONSIBILITIES AND DUTIES

The Committee shall have the following responsibilities and duties:

Duties Relating to the Independent Auditor

1. Assume direct responsibility for the appointment, compensation, retention and oversight of the Independent Auditor (including resolution of disagreements between management and the Independent Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.ε* In particular:
 - a. the Independent Auditor shall report directly to the Committee; and
 - b. the Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any Independent Auditor, any separate advisors retained by the Committee and any ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
2. Pre-approve all audit services and permissible non-audit services, as defined and limited by applicable regulations, to be performed by the Independent Auditor. To the extent permitted by applicable laws, regulations and NYSE rules, the Committee may delegate

pre-approval of audit and non-audit services to one or more members of the Committee. Such member(s) must then report to the full Committee at its next scheduled meeting if such member(s) pre-approved any audit or permitted non-audit services. The Committee shall report any pre-approved non-audit services to the Board so the Company can include the information in its periodic reports.

3. At least annually, obtain and review a report of the Independent Auditor describing all relationships between the Independent Auditor and the Company and take all appropriate action in response to such report to satisfy itself of the independence of the Independent Auditor. The Committee shall actively engage in a dialogue with the independent auditors to the extent such report discloses any material issues, relationships or services that may impact the performance, objectivity or independence of the independent auditors and take, or recommend that the full Board take, appropriate action to oversee the independence of the Independent Auditor.
4. At least annually, obtain and review a report by the Independent Auditor describing: (i) the Independent Auditor's internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the Independent Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Independent Auditor, and any steps taken to deal with any such issues.
5. Prior to filing the applicable periodic reports with the SEC, review and discuss the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and the Independent Auditor.
6. Review all reports and other materials prepared by the Independent Auditor concerning (i) all critical accounting policies and practices used by the Company, (ii) all alternative treatments of financial information within GAAP for policies and practices 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 Independent Auditor and (iii) other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
7. Review and discuss (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the Independent Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements; and (iv) the type and presentation of information to be

included in earnings press releases (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

8. Review with the Independent Auditor any audit problems or difficulties and management’s response to such matters, including, without limitation, any restrictions on the scope of the Independent Auditor’s activities or on access to requested information, and any significant disagreements with management.

Duties Relating to the Internal Audit Function, Review and Assessment of Internal Controls

9. Discuss with management and the Independent Auditor the Company’s policies with respect to risk management and risk assessment.
10. Establish procedures for the (i) receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
11. Consider and review with the Independent Auditor and the internal auditors the adequacy of the Company’s systems of internal controls, including computerized information system controls and security. In particular, the Committee should discuss (i) any significant deficiencies in the design or operation of the Company’s internal controls that could adversely affect the Company’s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have significant roles in the Company’s internal control over financial reporting.
12. Oversee the Company’s internal audit function.

Annual Duties of the Audit Committee

13. Prepare a report for inclusion in the Proxy Statement that states:
 - a. whether the Committee has reviewed and discussed the Company’s audited financial statements with management;
 - b. whether the Committee has discussed with the Independent Auditor the matters required to be discussed by SAS 61;
 - c. whether the Committee has received the required independence disclosures and related communications from the Independent Auditor and has discussed with the Independent Auditor its independence;
 - d. based on the review of (a)-(c) above, whether the Committee recommended to the Board that the Company’s audited financial statements be included in its Annual Report on Form 10-K; and

- e. any other matter that is required to be included in the report under the Proxy rules promulgated by the SEC, as in effect at such time.
- 14. Report regularly to the Board, which reports shall include any recommendations the Committee deems appropriate and any other matters that are relevant to the fulfillment of the Committee's responsibilities or that the Board wishes to discuss. The report to the Board may be an oral report and may be made at any meeting of the Board.
- 15. Annually review and reassess the adequacy of this Charter and recommend any changes to the Board for approval.
- 16. Conduct an annual evaluation of the performance of the Committee, including the Committee's effectiveness and compliance with this Charter.

Other Duties

- 17. Review with the Company's General Counsel or other legal counsel (i) any legal matters that may have a material impact on the financial statements, including a discussion of the status of pending claims, litigations and other legal matters and (ii) the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- 18. Set clear hiring policies for employees or former employees of the Independent Auditor.
- 19. Consider such other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audit of the Company as the Committee may, in its discretion, determine to be advisable.
- 20. At least annually, review with management compliance with, the adequacy of and any requests for waivers under the Company's code(s) of business conduct and ethics (including codes that apply to all employees, as well as those applicable to directors, senior officers and financial officers and the Company's policies and procedures concerning trading in Company securities and use in trading of proprietary or confidential information). Any waiver to any executive officer or director granted by the Committee shall be reported by the Committee to the Board.

V. ADDITIONAL POWERS

In addition to the powers necessary to carry out the foregoing responsibilities, the Committee may in its discretion request and receive reports from the Chairs of other committees of the Board regarding matters under the cognizance of such committees that the Committee determines are appropriate to the fulfillment of its functions under this Charter. The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board.

The Committee shall have the authority to engage independent counsel and other advisors, as the Committee determines necessary to carry out its duties and responsibilities.

In discharging its responsibilities, the Committee is empowered to investigate any matter it considers appropriate, with access to all books, records, facilities and personnel of the Company. In addition, the Committee may designate any member of the Committee to execute documents on its behalf as it deems necessary or appropriate to carry out its responsibilities hereunder.

In addition to the specific activities outlined throughout this Charter, the Committee may perform such other functions to the extent required under applicable laws, regulations, NYSE rules, the Company's certificate of incorporation and by-laws, and the resolutions and other directives of the Board, and this Charter is in all respects subject and subordinate thereto.