

OLYMPIC STEEL

AUDIT AND COMPLIANCE COMMITTEE CHARTER

Status

The Audit and Compliance Committee (“Committee”) is a committee of the Board of Directors of the Company (“Board”).

Purpose

The Committee will report to the Board, and assist the Board in fulfilling its oversight responsibilities. The Committee will oversee the Company’s accounting and financial reporting process, systems of internal controls, independent audit process, process for monitoring compliance with laws and regulations and the audits of the financial statements of the Company. Consistent with this function, the Committee shall encourage continuous improvement of, and shall foster adherence to, the Company’s policies, procedures, and practices at all levels. In performing its duties, the Committee will maintain effective working relationships with the Board, senior and financial management, and the independent auditors. To effectively perform his or her role, each Committee member will fulfill the duties and responsibilities of Committee membership that are set forth below.

Membership

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence criteria of (A) the listing requirements of the Nasdaq Stock Market LLC (“NASDAQ”), as such requirements are interpreted by the Board in its business judgment, and (B) Section 301 of the Sarbanes-Oxley Act of 2002 and the rules and listing requirements promulgated thereunder by the Securities and Exchange Commission (“SEC”), including Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”), and the NASDAQ.

No Committee member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the three years prior to the proposed appointment of such member to the Committee.

A director who is an employee of the Company or any of its affiliates may not serve on the Committee until three years following the termination of his or her employment. A director who is employed as an executive of another organization where any of the Company’s executives serves on that organization’s compensation committee may not serve on the Committee.

A director who is an immediate family member of an executive officer of the Company or any of its affiliates cannot serve on the Committee until three years following the termination of such employment relationship. Immediate family members include spouses, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person’s home.

Each Committee member shall be able to read and understand fundamental financial statements, including a balance sheet, an income statement and a cash flow statement. Additionally, at least

one member of the 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 such member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, sufficient to meet the criteria of a financial expert within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC. The Board of Directors shall determine, in its business judgment, whether at least one member has such financial sophistication and satisfies the financial expert criteria of Section 407 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC. The designation or identification of a person as having such financial sophistication or as a financial expert shall not (A) impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board of Directors in the absence of such designation or identification or (B) affect the duties, obligations or liability of any other member of the Committee or Board of Directors.

Each Committee member shall receive as compensation from the Company only those forms of compensation as are not prohibited by Section 301 of the Sarbanes-Oxley Act of 2002 and the rules and listing requirements promulgated thereunder by the SEC and the NASDAQ. Permitted compensation includes director's fees (which includes all forms of compensation paid to directors of the Company for service as a director or member of a committee of the Board of Directors). Additional director's fees may be paid to members of the Committee to compensate them for the significant time and effort they expend in performing their duties as members of the Committee.

The members of the Committee shall be elected annually by the Board based on nominations made by the Company's Nominating Committee. Each member shall serve at the pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member. Unless a Chair of the Committee is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of full Committee membership.

Duties and Responsibilities

The Committee shall assist the Board in fulfilling its responsibility to the shareholders relating to corporate accounting, reporting practices of the Company, the quality and integrity of the financial reports of the Company and the oversight of the Company's Derivatives Policy. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the directors, the independent auditors, and the senior and financial management of the Company.

Although the Committee has certain powers and responsibilities under this Charter, its core function is oversight. It is not the duty or responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements present fairly the Company's financial position and results of operations in accordance with GAAP and applicable laws, rules and regulations.

Management is responsible for the quality, accuracy and integrity of the Company's accounting practices, financial statements and reporting and system of internal control.

The independent auditor is responsible for performing an audit of the Company's financial statements, expressing an opinion as to management's assessment of the effectiveness of internal control over financial reporting and for reviewing the Company's interim financial statements.

The Committee is directly responsible for the appointment, fees, retention and oversight of the work of the Company's independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Committee has the sole authority to retain and terminate the Company's independent auditor and the independent auditor shall report directly to the audit committee.

In carrying out these responsibilities, the Committee will:

Pre Audit

- 1) Review, prior to the annual audit, the proposed scope of the independent auditors' audit examination. This review shall entail an understanding from the independent auditors of the factors they considered in determining the audit scope and procedures. Included among such considerations are the following:
 - * Industry, business, and internal control risk characteristics of the Company.
 - * The significance of receivables, inventories, payables, and other balance sheet accounts.
 - * The significance of the operating results of individual divisions or subsidiaries.
 - * External reporting requirements.
 - * Significant current year events and issues affecting the audit plan.
 - * Quality of internal accounting controls over financial reporting.
 - * Review of risk assessment and audit approaches.
 - * Other areas to be covered during the audit engagement.
- 2) Review and approve the independent auditors' fee schedule.
- 3) Review with management and the independent auditors the extent of any non-audit services provided by the independent auditors and pre-approve any non-audit relationships in relation to the independence and objectivity required.
- 4) At least annually, review and discuss the information provided by management and the auditors relating to the independence of the audit firm, including, among other things, information related to the non-audit services provided and expected to be provided by the auditors. The Committee is responsible for (A) ensuring that the independent auditors submit at least annually to the Committee a formal written statement delineating all relationships between the auditors and the Company consistent with applicable independence standards, including Public Company

Accounting Oversight Board (“PCAOB”) Ethics and Independence Rule 3526, as needed PCAOB Audit Committee Preapproval of Certain Tax Services Rule 3524, and PCAOB Audit Committee Preapproval of certain permissible non-audit services related to internal control over financial reporting under Rule 3525, or such other standard as may be promulgated by the PCAOB, (B) actively engaging in a dialogue with the auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the auditors, and (C) taking, or recommending that the Board take, appropriate action to oversee the independence of the auditor. In connection with the Committee’s evaluation of the auditors’ independence, the Committee shall also review and evaluate the lead partner of the independent auditors and take such steps as may be required by law with respect to the identification and regular rotation of the audit partners serving on the Company’s audit engagement team.

- 5) Reviews internal audit’s risk assessment and resulting plan including budget and staffing, reviews significant findings issued by internal audit and management’s response to those findings, and oversees the appointment, performance, compensation and replacement of the chief audit executive. The committee also periodically reviews internal audit’s charter.

Interim Financial Statements (Quarterly)

- 1) Meet with management and with the independent auditors, either telephonically or in person, to review the interim financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to be included in the quarterly reports on Form 10-Q, and the results of the independent auditor’s review. (This may be done by the Committee Chair, its designee, or the entire Committee.)
- 2) At least quarterly, reviews with the external auditor (1) all critical accounting policies and practices to be used, (2) any significant change in the selection of application of accounting principles, (3) all alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and (4) other material written communications between the external auditors and management, such as any management letter of schedule of unadjusted differences.
- 3) Discuss the company’s earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies.

Post Audit

- 1) Review financial results for the year with management and the independent auditors upon completion of their audit. This review shall encompass:
 - * Significant financial and business issues addressed during the audit.
 - * Significant accounting estimates, reserves and other judgments included in the financial statements.

- * Proposed audit adjustments, both recorded and unrecorded, and their resolutions.
 - * Extent to which independent auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems downtime.
 - * The Company's annual report to shareholders, including the financial statements, and supplemental disclosures required by generally accepted accounting principles and the SEC. The Form 10-K is to be reviewed and approved by the entire Board.
 - * Significant transactions that are not a normal part of the Company's operations.
 - * Any changes during the year in the Company's accounting principles or their applications.
- 2) Review and discuss with the independent auditors (A) the report of their annual audit, or proposed report of their annual audit, (B) the accompanying management letter, if any, and (C) the reports of the results of such other examinations outside of the course of the independent auditors' normal audit procedures that the independent auditors may from time to time undertake. The foregoing shall include the reports required by Section 204 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC and, as appropriate, a review of (A) major issues regarding (i) accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and (ii) the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the independent auditors 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; and (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 3) Review and discuss with the independent auditors the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the PCAOB (or any such superseding standards), relating to the conduct of the audit, as well as any audit problems or difficulties and management's response, including (A) any restriction on audit scope or on access to requested information, (B) any disagreements with management, and (C) significant issues discussed with the independent auditors' national office. The Committee is to decide all unresolved disagreements between management and the independent auditors regarding financial reporting.

- 4) Review and discuss with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department.
- 5) Review and discuss with the independent auditors, and, if and to the extent deemed appropriate by the Chair of the Committee, members of the independent auditors or the Company's respective staffs (A) the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and personnel, and the Company's policies and compliance procedures with respect to business practices, (B) the Company's disclosures regarding internal control over financial reporting and (C) any matters required by Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC. The Committee is also to review and discuss with the independent auditors their opinion on the effectiveness of management's assessment of internal control over financial reporting and any matters that have come to the attention of the independent auditors that lead them to believe that modification to the Company's disclosures about changes in internal control over financial reporting is necessary for management's certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 to be accurate.
- 6) Determine if there were any management disagreements with the independent auditors and determine disclosure obligations with respect thereto.
- 7) Review any outstanding litigation indicated in the legal letter responses from legal counsel as requested by the independent auditors.
- 8) Recommends to the board of directors that the audited financial statements be included in the company's SEC filing (Annual Report on Form 10-K).

Ongoing

- 1) Make regular reports to the Board. Apprise the Board of significant developments in the course of performing the above duties through minutes and special presentations as necessary.
- 2) Recommend any appropriate changes in the duties of the Committee to the Board.
- 3) Ensure the independence of the independent auditors, including review and annual evaluation of all independent audit team personnel.
- 4) Sets clear hiring policies for employees or former employees of the independent auditors.

Ethics and Compliance

- 1) Review and approve all related party transactions that are required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC in accordance with the Company's Related-Party Policies and Procedures.
- 2) Evaluate and make recommendations to the Board with respect to the independence of the members of the Board and the committees thereof in light of applicable SEC, NASDAQ and other rules and regulations.
- 3) Establish 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.
- 4) Review major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures, and discuss with management and the independent auditors the Company's major risk exposures and the steps management has taken to monitor and control such exposures.
- 5) Receive a report from the general counsel or compliance officer on the company's compliance with laws and regulations.

Investigatory Authority

In addition to performing the responsibilities discussed herein, the Committee may, or at the Board's request shall, investigate any financial or accounting activity of the Company. The Committee is empowered with Board authority to execute such investigations including the ability to retain third parties, including outside advisors and counsel, having special competence as necessary to assist the Committee in fulfilling its responsibilities. The Company shall be required to provide all funding as is determined necessary by the Committee.

Operations and Meetings

The Committee shall meet as often as it determines is advisable, but at a minimum, the Committee shall meet with management and the independent auditors at least four times per year, including prior to commencing the annual audit (“pre audit”) and upon conclusion of the annual audit (“post audit”). The Chair of the Committee shall, in consultation with the other members of the Committee, the Company’s independent auditors and the appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing agenda therefor and supervising the conduct thereof. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee shall meet at least annually with management, internal auditors (or other personnel responsible for the internal audit function) and the independent auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

As necessary, the Committee shall meet in executive session. Members of the Committee and only those advisors and members of management designated by a Committee member shall attend executive sessions.

The Committee Chair may request that members of management, representatives of the independent auditors, employees of the Company, and any others deemed necessary be present at meetings of the Committee.

Minutes

Minutes of each meeting are to be prepared and sent to Committee members and also to the Company’s directors who are not members of the Committee. The minutes as finally approved shall be placed in the corporate minute books of the Company by the Secretary or Assistant Secretary of the Company. Copies are to be provided to the independent auditors.

Reporting Requirements

The Committee will prepare, with the assistance of management, the independent auditors and outside legal counsel, the Audit and Compliance Committee Report to be included in the Company’s annual proxy statement.

Resources and Authority

The Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage independent counsel and other advisors as the Committee deems necessary to carry out its duties. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company’s investment bankers or financial analysts who follow the Company. The Company will provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to the Company’s independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, (b) compensation to independent counsel or any other advisors employed by the Committee and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Annual Review

At least annually, the Committee will (a) review this Charter with the Board and recommend any changes to the Board and (b) evaluate its own performance against the requirements of this Charter and report the results of this evaluation to the Board. The evaluation will include establishment of the goals and objectives of the Committee for the upcoming year. The Committee will conduct its review and evaluation in such manner as it deems appropriate.