

CPAC, INC.
AUDIT COMMITTEE CHARTER
Effective June 1, 2000
As Amended February 10, 2003

I. PURPOSE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to

- (1) monitoring the quality, reliability and integrity of the Company's external financial reporting process;
- (2) the adequacy of the Company's internal controls particularly with respect to the Company's compliance with legal and regulatory requirements and corporate policy; and
- (3) the independence and performance of the Company's registered public accounting firm, who shall be ultimately accountable and report directly to the Audit Committee.

II. RESPONSIBILITIES

The Audit Committee shall be directly responsible for:

- the appointment, compensation, retention and oversight of the work of the registered public accounting firm engaged (including the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services;
- the pre-approval of all auditing and non-auditing services to be performed by the Company's registered public accounting firm provided that no approval shall be given for the performance of non-audit services enumerated in section 201(a)(1)-(9) of the Sarbanes-Oxley Act of 2002. For this purpose, pre-approval shall be deemed to have been given to any audit service included within the scope of the engagement of the registered public accounting firm with the Company;

- the disclosure by the Company of all pre-approved non-audit services in periodic reports filed by the Company with the Securities and Exchange Commission;
- the disclosure by the Company of the number and name(s) of each Audit Committee member who is an "audit committee financial expert" as defined herein in periodic reports filed by the Company with the Securities and Exchange Commission.

The Audit Committee shall establish procedures for

- the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Audit Committee's further responsibilities shall include:

- requiring that the Company's registered public accounting firm submit at least annually to the Audit Committee, a formal, written statement delineating all relationships between the registered public accounting firm and the Company. The Audit Committee shall be responsible for actively engaging in a dialogue with the registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the registered public accounting firm. As appropriate, the Audit Committee shall take appropriate action in response to the registered public accounting firm report to satisfy itself of such firm's independence;
- requiring the registered public accounting firm to timely report to the Audit Committee:
 - all critical accounting policies and practices to be used in preparing the Company's financial statements;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments and treatment preferred by the registered public accounting firm; and
 - other material written communications between the registered public accounting firm and management such as any management letter or schedule of unadjusted differences;

- Reviewing with management and the registered public accounting firm the audited financial statements to be included in the Company's Annual Report on Form 10-K and recommending to the Board of Directors the inclusion of the Company's audited financial statements in such Form 10-K. Such review shall include discussing with the registered public accounting firm those matters required to be discussed under generally accepted auditing standards;
- Reviewing with management and the registered public accounting firm the Company's financial information to be included in its quarterly reports on Form 10-Q prior to filing such reports with the Securities and Exchange Commission. Such review shall include discussing with the registered public accounting firm those matters required to be discussed under generally accepted auditing standards. The Chair of the Audit Committee, or the Chair's designee, may represent it for the purposes of the review with management and the registered public accounting firm;
- Meeting with management periodically to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- Providing an open avenue of communication among and individually with the registered public accounting firm, financial and senior management, and the Board of Directors, and taking appropriate actions resulting from this interaction;
- Reviewing and assessing the adequacy of this Charter on an annual basis and recommending changes, if any, to the Board of Directors.

III. COMPOSITION

The Audit Committee shall be composed of at least three members, comprised solely of independent directors, each of whom is able to read and understand fundamental financial statements, including the 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 Audit Committee. One member of the Committee need not qualify as independent if and to the extent permitted by the rules promulgated for National Market System companies by the National Association of Securities Dealers, Inc.

At least one member of the Audit Committee shall be an "audit committee financial expert" as defined in section 407 of the Sarbanes-Oxley Act, in that he or she has (through education and experience as a public accountant or auditor or as a principal financial officer, controller or principal accounting officer of a company that, at the time the person held such position, was required to file reports with the Securities and Exchange Commission, or through experience in one or more positions that involve the performance of similar functions or that result in the

judgment of the Board of Directors in such person having similar expertise and experience) the following attributes:

- an understanding of generally accepted accounting principles and financial statements;
- experience applying such generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves that are generally comparable to the estimates, accruals and reserves, if any, used in the company's financial statements;
- experience preparing or auditing financial statements that present accounting issues that are generally comparable to those raised by the company's financial statements;
- experience with internal accounting controls and procedures for financial reporting;
- an understanding of audit committee functions.

For purposes of Audit Committee composition, the term "independent director" means a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

- a director who, other than in his capacity as a director and member of the Audit Committee or any other Board committee, is an "affiliate" of the Company and/or of its divisions and/or subsidiaries;
- a director who, other than in his capacity as a director and member of the Audit Committee or any other Board committee, accepts any consulting, advisory, or other compensatory fee from the Company and/or its divisions and/or subsidiaries;
- a director who is employed by the Company or any of its affiliates for the current fiscal year or for any of the past three fiscal years of the Company;
- a director who is a member of the immediate family of an individual who is, or has been in any of the past three fiscal years, employed by the Company or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law and anyone who resides in such person's home;
- a director who is a partner in, or a controlling shareholder, or an executive officer of any for-profit business organization to which the Company made or from which the Company received payments (other than those arising solely

from investments in the Company's securities) that exceed five percent of the Company's or such business organization's consolidated gross revenue or \$200,000, whichever is more, in any of the past three fiscal years;

- a director who is employed as an executive of any other entity where any of the Company's executives serve on that entity's Compensation Committee.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board. The members of the Audit Committee shall serve until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Audit Committee shall have the authority to engage independent counsel and/or advisors as it determines necessary to carry out its duties.

The Audit Committee shall determine and have authority to cause the Company to pay compensation

- to the registered public accounting firm employed by the Company for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services;
- to any advisors employed by the Audit Committee.

IV. MEETINGS

The Committee shall meet at least four times annually. As part of its job to foster open communication, the Committee shall meet at least annually with management and the registered public accounting firm in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

V. LIMITATION OF DUTIES

While the Audit Committee has the responsibilities and powers set forth in the Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the Company's registered public accounting firm. It is not the duty of the Audit Committee to assure compliance with laws, regulations and the Company's Employee Practices Handbook.