

THE EASTERN COMPANY
AUDIT COMMITTEE CHARTER

(1) *General*

There shall be a committee of the Board which shall be called the Audit Committee (the "Committee").

The Committee shall consist of no fewer than three members. Each member of the Committee shall satisfy the independence, experience and financial expertise requirements of Section 10A of the Securities Exchange Act of 1934 (as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder) and the rules and regulations of the American Stock Exchange. Directors' fees are the only compensation that a Committee member may receive from the Company.

The Board shall appoint the members of the Committee annually, considering the views of the president and chief executive officer, as appropriate. The members of the Committee shall serve until their successors are appointed and qualify, and shall designate the chairman of the Committee. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to above.

The Committee shall meet on at least a quarterly basis.

Except as expressly provided in this Charter or the by-laws of the Company or as otherwise provided by law or the rules of the American Stock Exchange, the Committee shall fix its own rules of procedure.

(2) *Statement of Purpose and Policy*

The Committee shall provide assistance to the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors, and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company, and with the power to retain outside counsel or other experts for this purpose.

(3) *Audit Committee Authority and Responsibilities*

The Committee shall have the authority to appoint or replace the Company's independent accounting firm (subject, if applicable, to shareholder ratification), and shall approve all audit engagement fees and terms and all non-audit engagements with the independent accounting firm. The Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the Committee. In its capacity as a committee of the Board, the Committee shall be directly responsible for the oversight of the work of the independent accounting firm (including resolution of disagreements between management and the independent accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent accounting firm shall report directly to the Committee.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties, and to conduct or authorize investigations into any matters within its scope of responsibilities. The Committee shall meet periodically with management and the independent accounting firm in separate executive sessions in furtherance of its purposes.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance.

In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Committee. The following functions are some of the common recurring activities of the Committee in carrying out its oversight responsibility:

- Review and discuss with management and the independent accounting firm the Company's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" or similar disclosures, and the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- Review and discuss with management and the independent accounting firm the Company's quarterly financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" or similar disclosures, and the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, prior to the filing of its Form 10-Q, including the results of the independent accounting firm's reviews of the Company's quarterly financial statements to the extent applicable.

- Review and discuss with management and the independent accounting firm, as applicable: (a) 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; (b) analyses prepared by management or the independent accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative methods under generally accepted accounting principles ("GAAP"); (c) any management letter provided by the independent accounting firm and the Company's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the independent accounting firm's activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (f) earnings press releases (paying particular attention to any use of "pro-forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.
- Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
- Review the disclosures concerning the Committee and its operations as may be required for inclusion in proxy materials distributed by the Company in connection with meetings of its shareholders.
- Establish and review 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 Company employees of concerns regarding questionable accounting or auditing matters.
- Review and discuss all relationships which the independent accounting firm has with the Company in order to consider and evaluate the independent accounting firm's continued independence, ensure the rotation of the lead (or coordinating) audit partner and other significant audit partners, and establish clear hiring policies for employees or former employees of the independent accounting firm who are proposed to be hired by the Company.
- When applicable, review the independent accounting firm's attestation to management's report included in the annual report on Form 10-K which evaluates the Company's internal controls and procedures for financial reporting.

- Review any reports of the independent accounting firm mandated by Section 10A of the Securities Exchange Act of 1934, as amended, and obtain from the independent accounting firm any information with respect to illegal acts in accordance with Section 10A.
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- Perform any other activities consistent with this Charter, the Company's By-laws, or governing law as the Committee or the Board deems necessary or appropriate.

(4) *Limitations of Audit Committee's Roles*

While the Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management with advice from the independent accounting firm.