

DECORATOR INDUSTRIES, INC.

AUDIT COMMITTEE CHARTER*

RESOLUTION

The Board of Directors of Decorator Industries, Inc. (the "Board") hereby defines the authority, responsibility and specific duties of its Audit Committee ("Committee") as described below.

COMPOSITION AND TERM

The Committee shall be composed of three or more Directors appointed by the Board of Directors. Each member of the Committee shall be "independent" as required by Section 10A of the Securities Exchange Act of 1934, as amended ("Section 10A"), and the rules and regulations thereunder and by the Company Guide of the American Stock Exchange LLC ("Amex"). No member of the Committee may directly or indirectly accept any consulting, advisory or other compensatory fee from the Company, except in his or her capacity as a member of the Committee, the Board of Directors or any other Board Committee. Each member of the Committee shall be able to read and understand fundamental financial statements, including a 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 Committee. At least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in his or her financial sophistication, including a current or past position as chief executive or financial officer or other senior officer with financial oversight responsibilities. One of the members shall be appointed Committee Chairman by the Board of Directors. The term of appointment of each member shall be at the discretion of the Board, provided that continuity is maintained.

AUTHORITY

The Committee may be requested by the Board of Directors to investigate any activity of the Company, and all employees are directed to cooperate as requested by the members of the Committee. The Committee is empowered to retain, at Company expense, advisers having special competence as necessary to assist the Committee in fulfilling its responsibilities, such as independent legal counsel and accounting consultants. The Company's outside auditors have ultimate accountability to the Board of Directors and the Committee, as representatives of the stockholders. The Committee has ultimate authority and responsibility to select, evaluate and, where appropriate, replace the outside auditors (or to nominate the outside auditors to be proposed for stockholder approval in any proxy statement) and to determine the compensation of the outside auditors, to be paid by the Company. The outside auditors must report directly to the Committee.

RESPONSIBILITIES

The Committee is to serve as a focal point for communications between non-Committee Directors, the outside auditors, internal audit and Decorator Industries, Inc.'s management, as their duties relate to financial accounting, reporting and controls. The Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of Decorator Industries, Inc. and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in ensuring the independence of the Company's outside auditors, the integrity of management and the adequacy of disclosures to stockholders. In this regard, the Committee shall be responsible for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditors and the Company, consistent with Independence Standards Board Standard 1, and for actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditors.

The Committee will review and discuss with management and the outside auditors the scope of services required at the commencement of the audit of the Company's financial statements, matters relating to the conduct of the audit, and the results of the audit.

The Committee will review management's assessment of the adequacy of internal controls and the resolution of identified material weaknesses and reportable conditions in internal controls, including the prevention and detection of management override or compromise of internal controls.

The Committee will review the Report on Internal Controls that is filed within the Company's Annual Report on Form 10-K. That report will state the responsibilities of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting and contain an assessment of the effectiveness of such structure and procedures. The Committee will also review the outside auditors' examination of management's assertion regarding the Company's internal controls for financial reporting.

The Committee will review with management and the outside auditors the Company's annual financial statements and the related opinion thereon, prior to filing with the Securities and Exchange Commission ("SEC"). The Chief Executive Officer and Chief Financial Officer will be present at this review, which will include a review of the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Annual Report on Form 10-K, as well as any other matters to be reviewed under the requirements of the SEC, other regulatory agencies, or the Amex. The Committee will review the outside

auditors' judgement about the quality of accounting principles as applied in financial reporting, and will review and assess the reasonableness of analyses prepared by management and the outside auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of financial statements. Specifically, the outside auditors will report to the Committee (i) all critical accounting policies and practices used by the Company. (ii) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the outside auditors, and (iii) other material written communications between the outside auditors and management.

The Committee will review the interim financial statements and disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" with management and the outside auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. The Chief Executive Officer and Chief Financial Officer must be present at this review. Also, the Committee will discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the outside auditors under generally accepted auditing standards, including Statement on Auditing Standards No. 61. The Chairman of the Committee may represent the entire Committee for the purposes of this review.

The Committee shall review and oversee any "related party transactions" with the Company as described in Item 404 of SEC regulation S-K, irrespective of the dollar amount or value of the transaction.

The Committee shall establish and maintain procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

The Committee shall review disclosures by the Company's principal executive officer and principal financial officer regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluation thereof.

The Committee will receive from the outside auditors written disclosures about their independence and discuss with them any factors that might detract from their independence. The outside auditors will not be independent if, at any point during the audit and professional engagement period, any audit partner earns or receives compensation based on that partner's procuring engagements with the Company to provide any services other than audit, review, or attest services. The lead (or coordinating) audit partner having primary responsibility for the audit, and the audit partner responsible for reviewing the audit, cannot have performed audit services for the Company in each of the five previous fiscal years of the Company, except as such partners may be exempted by paragraph (c)(6)(ii) of section 210.2-01 of SEC Regulation S-X. Other audit partners will be subject to rotation periods as prescribed by law or regulation.

The Committee is responsible for the pre-approval of all audit and permitted non-audit services performed by the outside auditors, and the Committee will not engage outside auditors to perform any non-audit services proscribed by law or regulation. The Committee may delegate authority for the pre-approval of all audit and non-audit services to a member of the Committee. All such approvals will be reported to the Committee at its next scheduled meeting. The approval of a non-audit service to be performed by the outside auditors shall be disclosed to investors in a timely manner in accordance with Section 10A and the rules and regulations thereunder.

The Committee will require the outside auditors to certify annually that they are in compliance with all applicable legal and regulatory requirements, including those addressing rotation of lead and concurring partners, provisions of prohibited services, document retention, and the submission of timely reports.

The Committee will prohibit management from hiring as a manager overseeing financial reporting matters of the Company any person who was employed by the outside auditors and was the lead partner, concurring partner, or any other member of the audit engagement team who provided audit, review or attest services for the Company within the one-year period preceding the commencement of the audit of the current fiscal year's financial statements.

ATTORNEYS

The Committee will review and discuss any reports received from attorneys with respect to apparent or possible securities law violations and/or breaches of fiduciary duties which were reported to the Chief Executive Officer and not resolved to the satisfaction of the reporting attorney.

GENERAL

The Committee, the outside auditors and the audits of the Company's financial statements must comply in all respects with the provisions of Section 10A and the rules and regulations thereunder.

MEETINGS

The Committee is to meet at least four (4) times each fiscal year and as often as necessary to fulfill its duties and responsibilities. The Committee will report to the Board on at least an annual basis and as many more times as the Committee or the Board deems necessary.

ATTENDANCE

Members of the Committee are to be present at all meetings. As necessary or desirable, the Chairman may request that members of management and representatives of the outside auditors be present at meetings of the Committee.

* As amended and adopted by the Board of Directors on March 2, 2004.