

U.S. ENERGY SYSTEMS, INC.

**AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE OF
THE
BOARD OF DIRECTORS**

(amended and restated in May 2007)

I. PURPOSE

The primary function of the Audit Committee of U.S. Energy Systems, Inc. (the “Corporation”) is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation’s systems of internal controls regarding finance, accounting, legal compliance and ethics that the management and the Board have established; and the Corporation’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation’s financial reporting process and internal control system.
- Appoint the Corporation’s independent accountants, approve the services provided by such independent accountants, and negotiate the audit-related compensation for such independent accountants and oversee the audit effort of the Corporation’s independent accountants and internal auditing department.
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department, and the Board of Directors.
- Receive and treat internal and external complaints respecting the Corporation’s accounting and financial reporting practices.

The Audit Committee will primarily fulfill these responsibilities and others by carrying out the activities enumerated in Section IV of this Charter.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board, who shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee or which could disqualify such member as being “independent” under applicable federal and state laws and regulations including, without limitation, the Sarbanes/Oxley Act of 2002 and the applicable rules and regulations of the primary trading market for the Corporation’s common stock (including NASDAQ). Without limiting the foregoing sentence, a member of the audit committee may not: (i) other than in his or her capacity as a member of the audit committee

or the board of directors, receive any other compensation fee from the Corporation or be an affiliated person of the Corporation or any subsidiary thereof or (ii) have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three year.

All members of the Committee shall have a working familiarity with basic finance and accounting management expertise and be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. At least one member of the Audit Committee shall be a “financial expert” as such term is defined by the United States Securities and Exchange Commission unless the Board of Directors determines otherwise. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by majority vote of the Board. 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.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management, the director of the internal auditing department, if any, and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet with the independent accountants and management quarterly to review the Corporations financials consistent with IV.4 below.

A majority of the members of the Committee shall constitute a quorum. A majority of the members present at a meeting at which a quorum is present may act on behalf of the Committee.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and update this Charter periodically, at least annually, as conditions dictate.
2. Review the Corporation’s annual financial statements prior to their filing on Form 10-K and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants.

3. Review the regular internal reports to management prepared by the internal auditing department and management's response.
4. Review with financial management and the independent accountants the Form 10-Q prior to its filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.

Independent Accountants

5. Select independent accountants, considering independence and effectiveness and determine the fees and other compensation to be paid to the independent accountants. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Corporation to determine the accountant's independence. The Committee must receive from independent accountants a formal written statement delineating all relationships between the auditor and the Corporation consistent with Independence Standards Board Standard No. 1.
6. Engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and if necessary, take, or recommend that the full board take, appropriate action to oversee the independence of the outside auditor.
7. Pre-approve all auditing and non-audit services provided to the corporation by the independent accounts except if such pre-approval is not required by applicable law.
8. Review and oversee the performance of the independent accountants for the purpose of preparing or issuing an audit report on or related work and discharge the independent accountants when circumstances warrant.
9. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the Corporation's financial statements.
10. The independent accountants shall report directly to the Audit Committee.

Financial Reporting Processes

11. Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the Committee.
12. In consultation with the independent accountants and the internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
13. Consider the independent accountant's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

14. Receive and consider reports from the independent accounting firm respecting:
 - (a) all critical accounting policies and practices to be used;
 - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the audit firm; and
 - (c) other material written communications between the audit firm and the management of the issuer, such as any management letter or schedule of unadjusted differences.

Process Improvements

15. Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
16. Following completion of the annual audit, review separately with each of management, the independent accountants and the internal auditing department, if any, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
17. Review and resolve disagreement among management and the independent accountants or the internal auditing department in connection with the preparation of the financial statements.
18. Review with the independent accountants, the internal auditing department, if any, and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
19. Establish procedures for the (i) receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Ethical and Legal Compliance

20. The Committee shall establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.
21. Review management's monitoring of the Corporation's compliance with the Corporation's Ethical Code and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

22. Review activities, organizational structure and qualifications of the internal audit department.
23. Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies, when applicable.
24. Review, with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
25. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Authority to Engage Advisors

26. The Audit Committee shall have the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Funding

27. The Corporation shall provide for appropriate funding as determined by the Audit Committee for payment of compensation to the independent accounting firm employed by the Corporation for purposes of rendering or issuing an audit report or performing other audit, review or attest services for the Corporation, to any advisors employed by the Committee under paragraph 26 and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.