

Horizon Bancorp

Board of Directors Audit Committee Charter

I. PURPOSE

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Horizon Bancorp (“Horizon” or the “Company”). The primary function of the Committee is to assist the Board in fulfilling its general oversight responsibilities by reviewing:

1. The financial information that will be provided to shareholders, governmental or regulatory bodies, the public and others;
2. Horizon’s auditing, accounting, and financial reporting processes;
3. Horizon’s systems of internal controls related to finance, accounting, legal compliance, regulatory compliance and ethics that management and the Board have established; and
4. the audit process.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and foster adherence to, the Company’s policies, procedures, and practices at all levels.

The Committee’s primary duties and responsibilities are to:

1. Serve as an independent and objective party to monitor Horizon’s financial reporting processes and internal control systems;
2. Review and appraise the audit efforts of Horizon’s independent accountants and the internal auditors; and
3. Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditors, and the Board.

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

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter and to compensate its advisors. The Committee, in its discretion, has the authority to initiate special investigations into any matters within the Committee’s scope of responsibilities, and, if appropriate, hire special legal, accounting or other outside advisors or experts to assist the Committee in fulfilling its obligations under this Charter. The Committee has full authority to seek any information it requires from the Company and may meet with officers, employees, external counsel and auditors and accountants as necessary.

The Committee also may perform such other activities consistent with the Charter, the Company’s Articles and Bylaws and governing law, as the Committee or the Board may deem necessary or appropriate.

II. COMPOSITION

The Committee shall be comprised of three or more directors appointed by the Board. The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors have been duly elected and have qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board.

Each member of the Committee shall satisfy the NASDAQ independence and experience requirements and the requirements of all other applicable laws and regulations. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and must be able to read and understand fundamental financial statements, including the Company's 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 Horizon or an outside qualified third party. At least one member of the Committee shall have accounting or related financial management expertise necessary to qualify as a "financial expert" as such term is defined by the SEC. The Committee shall not include any member who:

- participated in the preparation of the financial statements for the Company or any subsidiary of the Company during the past three years;
- accepts consulting, advisory or other compensatory fees from the Company, other than in his or her capacity as a member of the Committee, the Board or any other committee of the Board, or
- is an affiliated person of the Company or any subsidiary of the Company.

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 internal auditors, the Senior Auditor and Internal Audit Coordinator, and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed separately. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

In addition, the Committee, or at least the Chair of the Committee, should meet with the independent accountants and management, either in person or by phone, quarterly to review Horizon's financial statements. This review should be conducted prior to Horizon's filings of Form 10-Q or Form 10-K. This discussion should include a discussion of significant adjustments, management judgments and accounting estimates, significant new accounting policies, and disagreements between management and the internal auditors and/or independent accountants.

IV. RESPONSIBILITIES AND DUTIES

A. OVERSIGHT OF INTERNAL AUDITORS AND INDEPENDENT ACCOUNTANTS

The Committee shall be directly and solely responsible for the appointment, compensation and oversight of the Senior Auditor, internal auditors and the independent accountants in compliance with all applicable requirements of NASDAQ and the SEC and with all other applicable laws and regulations. The independent accountant must qualify as an “independent registered public accounting firm” within the meaning of the Sarbanes-Oxley Act of 2002, as amended. The Senior Auditor, internal auditors and independent accountants shall report directly to the Committee. The Committee shall have sole authority to replace, reassign or dismiss the Senior Auditor, internal auditors and independent accountants. In meeting its oversight responsibilities, the Committee shall:

1. Provide an open avenue of communication among the Senior Auditor, internal auditors, the independent accountants, and the Board.
2. Review the independence and performance of the Senior Auditor, internal auditors and independent accountants.
3. Approve the fees and other compensation to be paid to the Senior Auditor, internal auditors, independent accountants and their affiliates.
4. Obtain a formal written statement from the independent accountants at least annually delineating all relationships between Horizon and the independent accountants. Engage in a dialogue with the independent accountants regarding any disclosed relationships and services that may impact their independence and recommend that the Board take appropriate action in response to the independent accountants’ report to satisfy itself of their independence.
5. Monitor compliance with SEC requirements regarding the required rotation of the lead or coordinating audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit.
6. At least annually, obtain and review a report by the Company's independent accountants that describes
 - a. the accounting firm's internal quality control procedures,
 - b. any issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and
 - c. all relationships between the firm and the Company or any of its subsidiaries; and to discuss with the independent accountants this report and any relationships or services that may impact the objectivity and independence of the accountants.
7. Review and discuss with the Company's independent accountants:
 - a. the accountants' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process,
 - b. the overall audit strategy,
 - c. the scope and timing of the annual audit,
 - d. any significant risks identified during the accountants' risk assessment procedures, and
 - e. when completed, the results, including significant findings, of the annual audit.
8. Review and discuss with the Company's independent accountants:

- a. all critical accounting policies and practices to be used in the audit,
 - b. all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors,
 - c. other material written communications between the auditors and management,
 - d. the auditor's evaluation of the Company's identification of, accounting for, and disclosure of its relationships with related parties;
 - e. the auditor's understanding of the business purpose (or lack thereof) of significant unusual transactions;
 - f. any other matters required to be discussed by *PCAOB Auditing Standards No. 16, Communications with Audit Committees* and other PCAOB auditing standards.
9. Review the audited financial statements and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Form 10-K, recommend to the Board of Directors that the audited financial statements be included in the Company's Form 10-K and produce the audit committee report to be included in the Company's proxy statement.
10. Review and discuss with the Company's independent accountants and management the Company's quarterly financial statements and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Form 10-Q.
11. Pre-approve all audit and permitted non-audit and tax services to be provided by the Company's independent accountants. All services greater than \$25,000 provided by any other firm requires pre-approval.
- a. Permissible non-audit services include tax services.
 - b. Impermissible non-audit services include the following:
 - i. Bookkeeping or other services related to the accounting records or financial statements of Horizon Bancorp and all subsidiaries and affiliates;
 - ii. Financial information systems design and implementation;
 - iii. Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
 - iv. Actuarial services;
 - v. Management or human resource functions;
 - vi. Broker or dealer, investment adviser, or investment banking services;
 - vii. Legal services and expert services unrelated to the audit;
 - viii. Any other service the Public Company Accounting Oversight Board determines, by regulation, to be impermissible; and
 - ix. Any other service that the Board or Committee determines to be impermissible.
12. Review and approve the qualifications of the internal auditors with respect to specific areas within the audit plan.

REVIEW PROCEDURES

In meeting its obligations under the rules and regulations imposed by NASDAQ and the SEC and by other applicable laws and regulations, the Committee shall:

1. Review and reassess the adequacy of this Charter annually and submit any amendments to the Board for approval.
2. Review with the independent accountant and internal auditor the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
3. Inquire of management, the internal auditor, and the independent accountant regarding significant risks or exposures and assess the steps management has taken to minimize such risk to Horizon.
4. Consider, in consultation with the independent accountant and the internal auditor, the audit scope and plan of the internal auditors and the independent accountant. Determine if the internal auditors and independent accountants are utilizing a risk-based approach.
5. Consider and review with the independent accountant and the internal auditor:
 - a. The adequacy of Horizon's internal controls, including computerized information system controls and security;
 - b. Any related significant findings and recommendations of the independent accountants and internal auditors together with management responses thereto; and
 - c. The status of previous audit recommendations and management's follow up on those recommendations.
6. Review with management and the independent accountants at the completion of the annual audit:
 - a. The annual financial statements and related footnotes;
 - b. the independent accountants' audit of the financial statements and their report thereon;
 - c. Any significant change required in the independent accountants' audit plan;
 - d. Any serious difficulties or disputes with management encountered during the course of the audit; and
 - e. Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
7. Review with management and the internal auditors:
 - a. Internal audit reports to management prepared by the internal auditors, including significant findings and management's responses to those findings;
 - b. Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - c. Any changes required in the planned scope of their audit plan;
 - d. Internal audit department budget and staffing; and
 - e. Internal audit policies and procedures.

8. Review filings with the SEC and other published documents containing Horizon's financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements.
9. Review with management and the independent accountants the interim financial report before it is filed with the SEC and other regulators.
10. Review with management, and if necessary, with Horizon's counsel, any legal matter that could have a significant impact on Horizon's financial statements.
11. Review management's monitoring of Horizon's compliance with its ethical code of conduct.
12. Review legal and regulatory matters that may have a material impact on the financial statements, related company compliance policies, and programs and reports received from regulators.
13. Meet with Horizon's regulatory bodies to discuss the results of their examinations.
14. Meet with the internal auditor, the independent accountants, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
15. Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
16. Prepare a letter or footnote for inclusion in the annual report that describes the Committee's composition and responsibilities, and how they were discharged.
17. Perform such other functions as assigned by law, Horizon's Articles or Bylaws, or the Board.
18. Advise financial management and the independent accountants that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
19. Provide that financial management and the independent accountants discuss with the Committee their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.
20. Determine in regards to new transactions or events, the internal auditors' and independent accountants' reasoning for the appropriateness of the accounting principles and disclosure practices adopted by Horizon.
21. Establish procedures for the receipt, retention, monitoring and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
22. Establish procedures for and monitor the confidential, anonymous submission by employees of Horizon and its affiliates of concerns regarding questionable accounting or auditing matters.

Review and approve the following policies annually:

- a. Code of Conduct for Advisors
 - b. Bank Secrecy Act/Anti-Money Laundering/Customer Identification Program/Identity Theft Prevention Program /Office of Foreign Asset Control.
 - c. Security Policy
 - d. Audit Policy
 - e. UDAAP Policy
 - f. Consumer Complaint Policy
25. On an annual basis, review updates to the enterprise risk assessment matrix to help define the audit scope for the current year.
 26. The Committee shall conduct an evaluation of its performance on an annual basis to determine whether it is functioning effectively.
 27. The Committee shall recommend to the Board of Directors hiring policies for employees or former employees of the independent auditor.
 28. At least annually, the Committee shall obtain and review a report by the independent auditors describing the following:
 - a. The firm's quality control procedures.
 - b. Any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
 - c. All relationships between the independent auditor and the Company (to assess the auditor's independence).

Although the Committee has the responsibilities and powers set forth in this Charter, the planning and conduct of audits and the determination of whether the Company's financial statements are complete and accurate and prepared in accordance with generally accepted accounting principles shall remain the responsibility of management and the internal auditors and independent accountants.