



AUDIT COMMITTEE CHARTER

SECURITIES AND EXCHANGE COMMISSION FINAL RULES:

- Impose audit committee responsibilities and powers that should be reflected in charter, including:
 - Committee's purpose of overseeing the accounting and financial reporting processes of the Company and the audits of the Company's financial statements;
 - The direct responsibility 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 Company, and each such registered public accounting firm must report directly to the audit committee;
 - "Independence" of audit committee members;
 - Pre-approval of all audit and permitted non-audit services;
 - Ensuring audit partner rotation;
 - Ensuring auditor independence and absence of conflicts of interest;
 - Establishing 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 listed issuer of concerns regarding questionable accounting or auditing matters;
 - The authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and
 - Ensuring receipt of certain information from outside auditors and CEO/CFO.
 - The appropriate funding by the Company, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of:
 - Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
 - Compensation to any advisers employed by the audit committee; and
 - Ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

NASDAQ FINAL RULES:

In addition to the Securities and Exchange Commission ("SEC") rules noted above:

- The audit committee's responsibility is to ensure the independence of the outside auditors, and the outside auditors are accountable to the audit committee;
- The audit committee must have at least three members, each of whom must: (i) be independent as under Nasdaq rules; (ii) meet the criteria for independence set forth in the SEC rules; (iii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

- Company must certify that it has, and will continue to have, at least one member of the audit committee who has 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, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
- The review (for potential conflict of interest situations) and approval of all related party transactions. For purposes of this rule, the term "related party transaction" refers to those required to be disclosed pursuant to SEC Regulation S-K, Item 404 summarized as follows:
 - Transactions with management to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$120,000 and in which any of the following persons had, or will have, a direct or indirect material interest:
 - Any director or executive officer
 - Any nominee for election as a director
 - Any security holder who is known to the Company to own of record or beneficially more than five (5) percent of any class of the Company's voting securities
 - Any member of the immediate family of the foregoing persons which include such person's spouse, parents, children, siblings, mothers and fathers in-law, sons and daughters in-law, and brothers and sisters in-law.
 - Certain business relationships regarding directors or nominees for director that exist, or have existed including:
 - If the nominee or director has been an executive officer, or owns or has owned in excess of 10% equity interest in any business or entity that has made payments for property or services in excess of 5% of the Company's consolidated gross revenues or the entity's consolidated gross revenues.
 - If the director has been an executive officer of an entity to which the Company has been indebted in excess of 5% of the Company's consolidated assets.
 - If the director is or during the last year has been a member of or of counsel to a law firm that the Company has retained. The dollar amount of fees need not be disclosed if the amount does not exceed 5% of the law firm's gross revenues.
 - If the director is or during the last year has been a partner or executive officer of an investment banking firm that the Company has retained. The dollar amount of fees need not be disclosed if the amount does not exceed 5% of the investment banking firm's gross revenues.
 - If any of the following persons have been indebted to the Company in an amount in excess of \$120,000:
 - Any director or executive officer
 - Any nominee for election as a director
 - Any member of the immediate family of any of the above
 - Any corporation or organization of which the director or executive officer or nominee is an executive officer or partner, or is the owner of 10% or more of any class of equity securities and
 - Any trust or estate in which the persons identified above has a substantial interest or has served as a trustee or similar capacity.
 - Transactions with promoters.

PATRICK INDUSTRIES, INC. COMPLIANCE

- A. The following Audit Committee Charter has been reviewed by the Audit Committee and approved by the full Board of Directors (the "Board"). In accordance with best practices, this charter is posted on the Company's website, www.patrickind.com, under "Corporate Governance".

**PATRICK INDUSTRIES, INC.
AUDIT COMMITTEE CHARTER**

PURPOSE

The Audit Committee is appointed by the Board for the primary purposes of:

- Assisting the Board in fulfilling its oversight responsibilities as they relate to the Company's accounting policies and internal controls, financial reporting practices, audits of the Company's financial statements, and legal and regulatory compliance;
- Maintaining, through regularly scheduled meetings, a line of communication between the Board and the Company's financial management, internal auditors, and independent accountants;
- Overseeing the performance of the Company's internal audit function, internal accounting controls, disclosure controls and procedures and internal control over financial reporting; and
- Preparing the audit committee report required by the Securities and Exchange Commission.

COMPOSITION AND QUALIFICATIONS

The Audit Committee shall be appointed by the Board and shall be comprised of three or more Directors (as determined from time to time by the Board), each of whom shall meet the independence requirements of the NASDAQ Stock Market, Inc. Each member of the Audit Committee shall have the ability to understand fundamental financial statements. In addition, at least one member of the Audit Committee shall have past employment experience in finance or accounting, professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

RESPONSIBILITIES

The Audit Committee will:

- (1) Review the quarterly financial statements, the annual audited financial statements, and internal control reports with management and, if appropriate with respect to the quarterly reports, the independent accountants and, if appropriate, the internal auditors. In connection with such review, the Audit Committee will:
 - Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
 - Review accounting or auditing policies, including resolution of any significant reporting or operational issues affecting the financial statements.
 - Inquire as to the existence and substance of any significant accounting accruals, reserves or estimates made by management that had or may have a material impact on the financial statements.
 - Review with the independent accountants any problems encountered in the course of their audit, including any change in the scope of the planned audit work and any restrictions placed on the scope of such work, any management letter provided by the independent accountants, and management's response to such letter.
 - Review and discuss with appropriate members of management and the independent auditors the specific intended 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 or the quarterly report on Form 10-Q, as applicable.

- Review with the independent accountants and the senior internal auditing executive the adequacy of the Company's internal controls, and any significant findings and recommendations.
- (2) Earnings releases and other financial guidance. The Committee will discuss with management earnings press releases and other published financial information or guidance provided to analysts and rating agencies.
- (3) Oversee the external audit coverage. The Committee has the sole authority and direct responsibility for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the company. The independent auditors report directly to the Committee. The Committee's authority includes resolution of disagreements between management and the auditors regarding financial reporting and the receipt of communications from the auditors as may be required under professional standards applicable to the auditors. In connection with its oversight of the external audit coverage, the Audit Committee will:
- Have the sole authority for the appointment of the independent accountants.
 - Approve the engagement letter and the fees to be paid to the independent accountants.
 - Obtain confirmation and assurance as to the independent accountants' independence and absence of conflicts of interests, including ensuring that they submit on a periodic basis (not less than annually) to the Audit Committee a formal written statement relating to their independence from the Company that may be required under the then applicable rules governing independent auditors, including delineating all relationships between the independent accountants and the Company. The Audit Committee is responsible for actively engaging in a dialogue with the independent accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and for recommending that the Board take appropriate action in response to the independent accountants' report to satisfy itself of their independence.
 - Meet with the independent accountants prior to the annual audit to discuss planning and staffing of the audit.
 - Review and evaluate the performance of the independent accountants, as the basis for a recommendation to the Board with respect to reappointment or replacement.
 - Ensure audit partner rotation.
 - From time to time, establish hiring policies that will govern the Company's hiring of employees or former employees of the independent auditors, taking into account possible pressures on the auditors' personnel who might seek a position with the company, and report these policies to the full board.
 - Pre-approve all audit and permitted non-audit services provided by the independent auditors prior to each particular engagement (including any permissible internal control-related services). The committee may establish pre-approval policies and procedures in compliance with applicable rules of the SEC.
- (4) Oversee internal audit coverage. In connection with its oversight responsibilities, the Audit Committee will:
- Review the appointment or replacement of the senior internal auditing executive.
 - Review, in consultation with management, the independent accountants and the senior internal auditing executive, the plan and scope of internal audit activities.

- Review internal audit activities, budget, and staffing.
 - Review significant reports to management prepared by the internal auditing department or the Company's independent accountants and management's responses to such reports.
- (5) Perform risk oversight responsibilities, as delegated by the Board, related to potential material risks to the Company's business, including but not limited to, credit, liquidity, financial, operational and reputational risks.
 - (6) Meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which such risks are being monitored and controlled.
 - (7) Meet at least annually in separate executive session with each of the chief financial officer, the senior internal auditing executive, and the independent accountants.
 - (8) Review periodically with the Company's General Counsel (i) legal and regulatory matters which may have a material effect on the financial statements, and (ii) corporate compliance policies or codes of conduct.
 - (9) Prepare the report of the Audit Committee and other information with respect to the Audit Committee required by the rules of the SEC to be included in the proxy statement for each annual meeting.
 - (10) Review and reassess the adequacy of this Audit Committee Charter and recommend any proposed changes to the Board on an annual basis or as it deems necessary.
 - (11) The Audit Committee has the authority to engage independent counsel and other advisers as it deems necessary to carry out its duties.
 - (12) The Audit Committee will review and approve all related party transactions. Related party transactions are summarized by the independent accountants and presented in the financial statements and the Company's Annual Report on Form 10-K (or incorporated therein by reference to the proxy statement). Further, management is responsible for notifying the Audit Committee of any new potential related party transactions for review and approval by the Audit Committee.
 - (13) The Audit Committee will be responsible for establishing procedures related to (i) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 - (14) The Company will provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of:
 - a) Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company;
 - b) Compensation to any advisers employed by the Audit Committee under paragraph (15) of this section; and
 - c) Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
 - (15) To assist it in the conduct of its responsibilities, the Audit Committee, to the extent it deems necessary or appropriate, may consult with management, may seek advice and assistance from Patrick employees or others, and has the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
 - (16) The Committee shall annually evaluate its own performance.

- (17) Other reviews and functions. The Committee, as it may consider appropriate, may consider and review with the full board of directors, Company management, internal or outside legal counsel, the independent auditors or any other appropriate person any other topics relating to the purposes of the Committee that may come to the Committee's attention and will make such reports to the full board of directors as are necessary or advisable. The Committee may perform any other activities consistent with this charter, the Company's corporate governance documents and applicable listing standards, laws and regulations as the Committee or the board of directors considers appropriate.

This Committee shall report regularly its findings and recommendations to the Board. The Committee may delegate any of its responsibilities and duties to one or more members of the Committee, except to the extent that such delegation would be inconsistent with the requirements of the Securities Exchange Act of 1934, as amended, or the listing rules of the NASDAQ national market.

The Committee's function is one of oversight only and does not relieve management of its responsibilities to (1) make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) devise and maintain an effective system of internal accounting controls; (3) devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; and (4) prepare financial statements that are accurate and complete and fairly present the financial condition, results of operations and cash flows of the company and further does not relieve the independent auditors of their responsibilities relating to the audit or review of financial statements. While the Audit Committee has the responsibilities and powers set forth in this 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 and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountants. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent accountants or to assure compliance with laws and regulations and the Company's corporate policies.