



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

Purpose

The Audit Committee (or the “Committee”) of Patrick Industries, Inc. (the “Company”) is appointed by the Board of Directors (the “Board”) for the primary purposes of:

- Assisting the Board in fulfilling its oversight responsibilities as they relate to: (i) the integrity of the Company's financial statements, (ii) the effectiveness of the Company's internal control over financial reporting, (iii) the Company's compliance with legal and regulatory requirements, (iv) the qualifications and independence of any firm designated by the Company as the independent auditors of the consolidated financial statements of the Company and its subsidiaries (the "independent auditors"), and (v) the performance of the independent auditors and the Company's internal audit function;
- Maintaining, through regularly scheduled meetings, a line of communication between the Board and the Company's financial management, internal auditors, and independent auditors;
- 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 to be included in the Company's annual proxy statement, as required by the Securities and Exchange Commission (the “SEC”).

In fulfilling its purpose, the Committee is responsible for maintaining free and open communication between itself, the independent auditors, the internal auditors and management of the Company, and for determining that all parties are aware of their responsibilities.

Committee 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: (i) meet the independence requirements of the Nasdaq Stock Market; (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) have the ability to understand fundamental financial statements and be financially literate. Additionally, at least one member of the Committee shall have accounting or related financial management expertise sufficient to meet the criteria of a financial expert within the meaning of Section 407 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC.

Meeting Structure

The chairperson of the Audit Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee, shall set the frequency of meetings and the agenda of items to be addressed at each meeting. The chairperson will ensure that the agenda for each meeting is circulated in advance of the meeting. Minutes shall be prepared for each meeting of the Committee, which minutes shall be submitted to the Committee for approval at a later meeting. The minutes of all meetings of the Committee shall be made available to all independent Board members and delivered to the Secretary of the Company for filing.

The Committee will meet as necessary to carry out its responsibilities but no less than quarterly. Directors not on the Committee may attend meetings of the Committee at the discretion of the chairperson. A majority of the members of the Committee shall constitute a quorum for the transaction of business. The Committee may act by unanimous written consent of all members in lieu of a meeting.

Responsibilities

The Committee is responsible for overseeing the Company's financial reporting process on behalf of the Board and the audits of the financial statements of the Company. Management is responsible for: (i) the preparation, presentation and integrity of the Company's financial statements; (ii) the appropriateness of the accounting principles and reporting policies that are used by the Company; and (iii) establishing and maintaining internal control over financial reporting. The independent auditors are responsible for auditing the Company's financial statements and the effectiveness of internal control over financial reporting, and for reviewing the Company's unaudited interim financial statements.

The Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

The Audit Committee will:

- (1) **Financial Reporting.** 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 auditors and, if appropriate, the internal auditors. In connection with such review, the Audit Committee will:
 - Periodically review the effect of new regulatory and accounting initiatives and any off balance sheet structures in the financial statements of the Company.
 - 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 auditors 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 auditors, and management's response to such letter.
 - Review and discuss with 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 the integrity and adequacy of the Company's internal and external financial reporting processes including management's assessment of the effectiveness of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act including any material weaknesses or significant deficiencies identified, including the responsibilities, budget, compensation and staffing of the Company's internal audit function, at the end of the most recent fiscal year and the independent auditors' report on management's findings.

- (2) Earnings releases and other financial information or guidance. The Committee will discuss with management and the independent auditors earnings press releases and, as appropriate, other published financial information or guidance, paying particular attention to any pro forma or adjusted non-GAAP information, as well as financial information or guidance provided to investors, shareholders, analysts and rating agencies.
- (3) Independent Auditors. The Committee has the sole authority and direct responsibility for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent auditors 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 independent auditors regarding financial reporting and the receipt of communications from the auditors as may be required under professional standards applicable to the independent 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 auditors and instruct the independent auditors to report directly to the Committee.
 - Review at least annually the qualifications, performance and independence of the independent auditors, including the lead partner, and present its conclusions with respect thereto to the Board.
 - Annually obtain and review a report from the independent auditors describing their internal quality control procedures and any material issues raised by the most recent internal quality control or peer reviews of the independent auditors or by any inquiry or investigation of the independent auditors by governmental or professional authorities during the past five years and any corrective steps taken to deal with the issues.
 - Obtain confirmation and assurance as to the independent auditors' 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 auditors and the Company. The Audit Committee is responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and for recommending that the Board take appropriate action in response to the independent auditors' report to satisfy itself of their independence.
 - Review with the independent auditors their overall scope and plans for their respective audits, including the adequacy of staffing and compensation.
 - Review with the independent auditors: (i) any audit or accounting adjustments proposed by the independent auditors but not undertaken by the Company, (ii) any issues presented by the engagement that may impair the independent auditors' effectiveness or difficulties caused by restrictions placed on the scope of activities or access to information; (iii) significant disagreements with management and management's response; (iv) any communications between the audit team and the audit firm's national office concerning auditing or accounting issues presented by the engagement; and (v) at least annually, obtain and review a report by the independent auditors on the adequacy of the Company's internal controls.
 - Establish clear hiring policies for employees and former employees of the independent auditors that meet the SEC regulations and Nasdaq Stock Market listing standards.

- 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 delegate pre-approval authority to a member of the Committee.
 - Pre-approve all statutory audits not performed by Company's independent auditors.
- (4) Oversee internal audit coverage. In connection with its oversight responsibilities, the Audit Committee will:
- Review and concur in the appointment, replacement, reassignment, or dismissal of the Director of Internal Audit who shall have direct access to the Committee and shall report directly to the Committee.
 - Review, in consultation with the Director of Internal Audit, and approve the plan and scope of internal audit activities, including budget, and staffing.
 - Review significant reports to management prepared by Director of Internal Audit or the Company's independent auditors and management's responses to such reports.
 - Review with the Director of Internal Audit the results of executing the internal audit plan including management's remediation of audit findings.
 - Review and approve Director of Internal Audit's performance with the Company's CFO.
- (5) Legal, Compliance and Risk Management. The Audit Committee will:
- 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.
 - 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.
 - Meet at least annually in separate executive session with each of the chief financial officer, the internal auditor, and the independent auditors.
 - Review periodically with the Company's general counsel (i) legal and regulatory matters that may have a material effect on the financial statements, and (ii) corporate compliance policies or codes of conduct.
 - 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.
 - Review and approve all related party transactions required to be disclosed in the Company's public filings for potential conflict of interest situations on an ongoing basis. 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.
 - 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, internal accounting controls or auditing matters.

- Monitor compliance with the Company's Code of Ethics and Business Conduct and monitor the Compliance Hotline and Ethics Hotline of the Company.
- (6) Other reviews and functions. The Committee, as it may consider appropriate, may consider and review with the full Board, 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 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 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 Stock Market.

The Committee's oversight function does not relieve management of its responsibilities to: (i) 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; (ii) devise and maintain an effective system of internal accounting controls; (iii) devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; and (iv) 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 auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to assure compliance with laws and regulations and the Company's corporate policies. 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.

The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage independent counsel, auditors, experts and other advisors, as the Audit Committee deems necessary to carry out its duties.

The Company will provide for appropriate funding, as determined by the Audit Committee, for payment of: (i) compensation to the Company's independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company; (ii) compensation to independent counsel, auditors, experts or any other advisors employed by the Committee; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Committee shall annually evaluate its own performance.

The Committee shall review and reassess the adequacy of the Audit Committee Charter and recommend any proposed changes to the Board annually.