

**CHARTER OF THE  
AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
HORIZON LINES, INC.**

**I. FORMATION OF THE COMMITTEE.**

The Board of Directors (the "*Board*") of Horizon Lines, Inc., a Delaware corporation (the "*Corporation*"), has established the Audit Committee of the Board (the "*Committee*") pursuant to Section 141 of the Delaware General Corporation Law and the Bylaws of the Corporation.

**II. ADOPTION OF THIS CHARTER; EFFECTIVE TIME.**

This Charter (this "*Charter*") is hereby adopted as the charter of the Committee, and shall become effective as of the listing for trading of shares of any class or series of the Corporation's capital stock on The New York Stock Exchange, Inc. ("*NYSE*"). Upon the effectiveness of this Charter, any charter of the Committee heretofore in effect is hereby superseded and replaced in its entirety by this Charter.

**III. PURPOSES OF THE COMMITTEE.**

1. The primary purpose of the Committee is oversight. The Committee shall assist the Board in fulfilling its responsibility to oversee (a) the conduct by the Corporation's management of the Corporation's financial reporting process, (b) the integrity of the financial statements and other financial information provided by the Corporation to the Securities and Exchange Commission (the "*SEC*") and the public, (c) the Corporation's system of internal accounting and financial controls, including the internal audit function, (d) the Corporation's compliance with applicable legal and regulatory requirements, (e) the independent auditors' qualifications, performance, and independence, and (f) the annual independent audit of the Corporation's financial statements.

2. The Committee shall be directly and solely responsible (subject to any required stockholder ratifications) for the appointment, compensation, retention and oversight of the work of 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 Corporation (including, without limitation, the resolution of disagreements between management and the auditor regarding financial reporting), and each such registered public accounting firm shall report directly to the Committee.

3. The Committee shall also prepare the report as required by the SEC to be included in the Corporation's annual proxy statement.

**IV. COMMITTEE'S OVERSIGHT ROLE.**

The Committee's role is one of oversight. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate or are in compliance with generally accepted accounting principles. It

is the responsibility of the Corporation's management to plan and conduct audits and to prepare financial statements, and it is the responsibility of the Corporation's independent auditors to audit those financial statements. The Corporation's management, including the internal audit function, and the independent auditors have more knowledge and detailed information about the Corporation than do members of the Committee. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or social assurance as to the Corporation's financial statements, or any professional certification as to the independent auditors' work, including with respect to auditor independence. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Corporation from whom the Committee receives information and the accuracy of such information, including representations by management and the independent auditors regarding non-audit services provided by the independent auditors.

**V. COMPOSITION OF THE COMMITTEE.**

1. The size of the Committee shall be three directors, or such greater number as may be determined from time to time by the Board, based on the recommendations of the Nominating and Corporate Governance Committee of the Board (the "*Nominating Committee*").

2. In order to qualify for election as a member of the Committee (and to qualify to continue to serve as a member of the Committee), a director of the Corporation shall (a) satisfy the applicable requirements therefor as shall be specified in the listed company requirements of the NYSE from time to time; (b) satisfy the requirements applicable to such director as shall be specified in the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, in each case amended or supplemented from time to time; (c) not serve on more than two other public company audit committees unless the Board determines that such simultaneous service would not impair the ability of the director to serve effectively as a member of the Committee; and (d) satisfy any additional requirements therefor that the Board shall deem appropriate. In addition, at least one member of the Committee shall be an "audit committee financial expert," as defined by the SEC.

3. Subject to the limitations set forth in Section 2 hereof, the Board shall elect the members of the Committee and may designate one or more directors as alternate members of the Committee to replace any absent or disqualified member at any meeting of the Committee.

4. Each director who is elected to the Committee shall hold office as a member of the Committee until the next annual meeting of the Board and until such director's successor in such office shall be elected and qualified, until the first to occur of (a) such director's death, resignation, retirement, disqualification or removal from such office or (b) such director's prior resignation, retirement, disqualification, or removal as a member of the Board.

5. Any vacancy on the Committee shall be filled by majority vote of the Board, subject to the limitations set forth in Section 2 hereof, and no member of the Committee shall be removed except by majority vote of the Board, in each case based on the recommendation of the Nominating Committee.

6. A director who is a member of the Committee shall promptly notify the Chairperson of the Board (if any), the Chairperson of the Committee (if any), the Chairperson of the Nominating Committee (if any), and the Secretary of the Corporation (if any) in the event that such director should cease to satisfy the requirements referred to in this Article V for service on the Committee.

## **VI. MEETINGS AND PROCEDURES OF THE COMMITTEE.**

1. The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than quarterly. The Committee may establish its own meeting schedule, which it will provide to the Board in advance to the extent practicable.

2. In order to carry out its duties and responsibilities, the Committee may request, in its discretion, any director (whether or not a member of the Committee), officer or employee of the Corporation, independent auditor, or such other person as it deems appropriate to (a) attend a meeting of the Committee, (b) meet with any members of the Committee, or any legal counsel or outside advisers to the Committee, or any consultants or experts retained by the Committee, or (c) provide pertinent information as necessary.

3. The Chairperson of the Committee shall be designated by the Board; *provided*, that if the Board does not so designate a Chairperson, the members of the Committee, by a majority vote of the members of the Committee present at a meeting of the Committee at which a quorum is present, may designate a Chairperson; and *provided, further*, that the Chairperson of the Committee and a majority of the members of the Committee in office shall be United States citizens. Meetings of the Committee may be called by either (i) the Chairperson of the Committee or (ii) any two or more members of the Committee. The Chairperson of the Committee shall be responsible for establishing the agendas for meetings of the Committee, and supervising the conduct of such meetings.

4. A majority of all of the members of the Committee then in office shall constitute a quorum of the Committee for the transaction of business, provided that no more than a minority of the number of members of the Committee necessary to constitute a quorum shall be other than citizens of the United States. The vote of a majority of all the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

5. Unless otherwise restricted by the Certificate of Incorporation or Bylaws of the Corporation, members of the Committee may participate in a meeting of the Committee by means of conference telephone or other communications equipment by which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

6. Unless otherwise restricted by applicable law, the Certificate of Incorporation or Bylaws of the Corporation, or this Charter, any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting, if all members of the Committee consent thereto in writing. Such one or more writings shall be filed with the minutes of the meetings of the Committee.

7. Failure to satisfy any pre-meeting notification or agenda requirements shall not invalidate an otherwise duly held meeting of the Committee.

8. The Committee shall have the authority to establish its own rules and procedures consistent with the Corporation's Certificate of Incorporation and Bylaws for notice and conduct of its meetings (and the conduct of any of its other activities), should the Committee, in its discretion, deem it desirable to do so.

9. The Committee shall keep regular minutes of its meetings which it shall distribute to each member of the Committee, members of the Board who are not members of the Committee, and the Secretary of the Corporation.

10. The Committee shall report regularly to the Board and shall also report to the Board whenever it shall be requested, or required, by the Board to do so.

## **VII. COMMITTEE ACTIVITIES.**

The following shall be activities of the Committee in carrying out its purposes. These activities are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

1. Appoint the independent auditors to audit the consolidated financial statements of the Corporation and its subsidiaries for the coming year; approve the engagement fees and terms; and recommend ratification of that appointment by the stockholders.

2. Pre-approve all audit and non-audit services to be provided by the independent auditors to the Corporation in accordance with the Committee's policies and procedures, and regularly review (a) the adequacy of the Committee's policies and procedures for pre-approving the use of the independent auditors for audit and non-audit services with a view to auditor independence; (b) the audit and non-audit services pre-approved in accordance with the Committee's policies and procedures; and (c) fees paid to the independent auditors for pre-approved audit and non-audit services.

3. Regularly review with the independent auditors (a) the arrangements for and the scope of the independent auditors' audit of the Corporation's consolidated financial statements; (b) the results of the audit by the independent auditors of the Corporation's consolidated financial statements; (c) any audit problems or difficulties encountered by the independent auditors and management's response; (d) any significant deficiency in the design or the operation of the Corporation's internal accounting controls identified by the independent auditors and any resulting recommendations; (e) all critical accounting policies and practices used by the Corporation; (f) all 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 independent auditors; and (g) other material written communications between the independent auditors and management. The Committee shall have ultimate authority to resolve any disagreement between management and the independent auditors regarding financial reporting.

4. Review major changes to the Corporation's auditing and accounting principles and practices based on advice of the independent auditors, the controller, the internal auditor, or management.

5. At least annually, obtain and review a report by the independent auditors describing (a) the firm's internal 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 Corporation, and any steps taken to deal with any such issues; and (c) all relationships between the independent auditors and the Corporation consistent with Independence Standards Board Standard Number 1. The Committee shall discuss such report with the independent auditors, which may include issues that impact the independent auditors' qualifications, performance, or independence.

6. Evaluate, along with the other members of the Board, management, the controller, and the internal auditor, the qualifications, performance, and independence of the independent auditors, including the performance of the lead audit partner.

7. Monitor regular rotation of audit partners by the independent auditors as required by applicable law.

8. The Committee, along with the other members of the Board, shall discuss with management and the independent auditors the audited financial statements to be included in the Corporation's Annual Report on Form 10-K, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall review and consider with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61 ("*SAS No. 61*"), including deficiencies in internal controls, fraud, illegal acts, management judgments and estimates, audit adjustments, audit difficulties, and the independent auditors' judgments about the quality of the Corporation's accounting and financial control practices.

9. Discuss with the independent auditors and management the Corporation's interim financial results to be included in each quarterly report on Form 10-Q, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Each such review shall include any matters required to be discussed by SAS No. 61, and shall occur prior to the Corporation's filing of the related Form 10-Q with the SEC.

10. Maintain and periodically review the Corporation's procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

11. Confer with the controller, the internal auditor, general counsel, management, and the independent auditors as requested by any of them or by the Committee, at least annually, and review their reports with respect to the functioning, quality, and adequacy of programs for compliance with the Corporation's policies and procedures regarding business ethics, financial

controls, internal auditing, and compliance with legal and regulatory requirements, including information regarding violations or probable violations of such policies or requirements.

12. Discuss the Corporation's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
13. Discuss the Corporation's policies with respect to risk assessment and risk management.
14. Maintain hiring policies for employees and former employees of the independent auditors.
15. Review the expenses of officers of the Corporation who are also members of the Board and such other officers as it may deem appropriate.
16. Review with the controller and the internal auditor, at least annually, the activities, budget, staffing, and structure of the internal auditing function of the Corporation and its subsidiaries, including their evaluations of the performance of that function and any recommendations with respect to improving the performance of or strengthening of that function. As appropriate, the Committee shall review the reports of any internal auditor on a financial safeguard problem that has not resulted in corrective action or has not otherwise been resolved to the auditor's satisfaction at any intermediate level of audit management.
17. At least annually, meet separately with management, the internal auditors, and the independent auditors to discuss issues warranting attention by the Committee.
18. Prepare any Committee report or other disclosure required to be included in any report or statement under the rules of the SEC.
19. Take other such actions and do other such things as may be referred to it from time to time by the Board.

#### **VIII. EVALUATION OF THE COMMITTEE AND THIS CHARTER.**

1. The Committee shall, on at least an annual basis, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend to the Board such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: (a) the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, (b) the manner in which such recommendations were discussed or debated, and (c) whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.
2. The Committee shall deliver to the Board a report, which may be oral, setting the results of each such evaluation, including any recommended amendments to this Charter and any recommended changes to the Corporation's or the Board's policies or procedures.

3. The Board shall have the authority to amend this Charter from time to time provided that at all times this Charter, as amended, shall satisfy the requirements of applicable law as well as the Certificate of Incorporation and Bylaws of the Corporation.

**IX. INVESTIGATIONS AND STUDIES; RESOURCES; OUTSIDE ADVISORS.**

1. The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and shall have the authority to retain, at the Corporation's expense, and without further approval from the Board, such independent legal counsel, or outside consultants, advisers or experts, as it deems necessary.

2. The Committee shall have the sole authority to retain or terminate the independent auditors described in Article VII of this Charter, including the sole authority to approve the fees and other retention terms of such independent auditors, such fees to be borne by the Corporation.

3. The Corporation shall provide for appropriate funding, as determined by the Committee, for the 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 Corporation, (b) compensation to any independent legal counsel, or outside consultants, advisers or experts, retained by the Committee, and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out the Committee's duties.

4. Any oral or written communications between the Committee and its legal counsel that occur in the course of such counsel providing legal advice or representation to the Committee will be considered privileged, and the Committee will take all necessary steps to preserve the privileged nature of such communications.

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Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.