

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF HORNE INTERNATIONAL, INC.

1. PURPOSE

The purpose of the Audit Committee of the Board of Directors of Horne International, Inc. (Horne, or the company) is to assist the Board in its oversight of the company's financial reporting, internal controls, and audit processes. Specifically, the Committee shall oversee—

- The integrity of the financial statements and information of the company, including the audited annual and the unaudited quarterly financial statements of the company.
- The independent auditor's qualifications and independence.
- The performance of the company's internal audit function and performance of the independent auditors.
- The company's compliance with legal and regulatory requirements related to financial statements and reporting
- Any other matters relating to the company's accounting and financial reporting processes.

The role also includes coordination with other Board committees and, as set forth elsewhere in this charter, direct communication with management, independent and internal auditors, counsel, and other Committee advisors.

The Committee's oversight responsibilities in no way diminish management's responsibility for preparing the company's financial statements and the independent auditor's responsibility for auditing those financial statements.

2. AUTHORITY

The Committee shall have the authority to carry out its responsibilities under this charter and to initiate special investigations of matters within the scope of its functions. The Committee shall have the authority to obtain advice and assistance from external legal, accounting, or other advisors it deems appropriate in its sole discretion. The Committee shall have the sole authority to approve the fees, costs and other terms of engagement of such outside resources. After consulting with the Board of Directors, the Committee shall have authority to redress identified violations of the company's internal financial policies. The company shall provide appropriate funding for the Committee to carry out its duties.

3. MEMBERSHIP

The Audit Committee shall consist of at least three Board members provided there are a sufficient number of qualified members of the Board of Directors, each of whom shall be independent in accordance with the criteria established by the Securities and Exchange Commission (SEC) and the NASDAQ Stock Market. No officer, salaried employee, or affiliate of Horne, including its subsidiaries, may be a member of the Audit Committee; nor may any individual who participated in the preparation of the financial statement of the company or any subsidiary at any time during the previous three years; nor may any individual who has any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment as an Audit Committee member.

All Audit Committee members shall be able to read and understand fundamental financial statements. At least one member of the Audit Committee shall be a “financial expert” within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002 and the rules issued by the SEC and the NASDAQ Stock Market.

The members of the Audit Committee shall be designated by the full Board from time to time. The Board shall designate one member of the Audit Committee to serve as chairperson of the Committee.

4. MEETINGS

The Committee shall meet at least four times annually and as necessary for review of the company’s quarterly financial information prior to public release, and more frequently as considered necessary by the Committee or its chairperson to carry out its duties under this charter. Committee meeting agendas shall be the responsibility of the Committee chairperson, and minutes of all meetings shall be distributed to all Board members.

The committee may ask members of management, outside counsel, the internal auditor, the independent auditor, and other advisors to attend the meeting and is authorized to receive all pertinent information from management. Either internal or independent auditors, or counsel, may, at any time, request a meeting with the Committee or Committee chairperson with or without management attendance. In any case, the Committee shall meet periodically in separate sessions with internal and independent auditors and management as described below.

A majority of the members of the Audit Committee shall constitute a quorum for any meeting. Any action of a majority of the members of the Audit Committee present at any meeting at which a quorum is present shall be an action of the Audit Committee. An Audit Committee member shall not vote on any matter in which he or she is not independent.

5. DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the duties and carry out the responsibilities listed in the following subsections, and it shall regularly report its material activities to the full Board of Directors. The Audit Committee shall maintain regular and meaningful contact throughout the year with the Chairman of the Board, other committee chairpersons, management, independent and internal auditors, and others, as applicable, both to strengthen its knowledge of relevant current and prospective business, financial reporting, and disclosure issues and to ensure that the Audit Committee’s expectations are known by all parties

5.1 Selection and Qualification of Independent Auditor

- Appoint, set compensation for, retain, and oversee the work of Horne’s outside, independent accounting firm (independent auditor), and dismiss and replace the independent auditor if it deems such action appropriate.
- Obtain confirmation from the outside auditors at the commencement of each audit that such firm is a “registered public accounting firm” as such term is defined under the Sarbanes-Oxley Act of 2002.
- Ensure that the outside audit team engaged to perform the external audit consists of competent, experienced, auditing professionals.
- Ensure that the independent auditor views the Board of Directors (as representative of Horne’s shareholders) as its client, that it will be available to the full Board of Directors at least annually and that it will provide the Audit Committee with a timely analysis of significant financial reporting issues.

- Review and pre-approve all auditing services and non-audit services provided to the company by the independent auditor in accordance with the SEC rules and regulations. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals under the condition that such pre-approvals are reported to the Audit Committee at its next regularly scheduled meeting.
- Ensure the independence of the outside accounting firm. Specifically —
 - Require the auditor to advise the company of any fact or circumstances that might adversely affect the auditor’s independence or judgment with respect to the company under applicable auditing standards.
 - Require the auditor to submit, on an annual basis, a formal written statement setting forth all relationships between the auditor and the company that may affect the objectivity and independence of the outside auditors. Such statement shall confirm that the auditor is not aware of any conflict of interest prohibited by Section 10A(1) of the Securities Exchange Act of 1934. The Audit Committee shall have the authority to approve the provision of non-audit services that have not been pre-approved by the Audit Committee, but only to the extent that such non-audit services qualify under the de minimus exception set forth in Section 10A(i)(1)(B) of the Exchange Act. The Audit Committee shall record in its minutes, and report to the Board, all approvals of non-audit services granted by the Audit Committee.
 - Actively 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.

5.2 Relationship to Internal Auditor

- Review and approve an annual budget for internal audits.
- Review and have veto power over the appointment, replacement, reassignment or dismissal of the internal auditor. (Note: The Chief Financial Officer shall have day-to-day management responsibility for the Internal Auditor, but the Internal Auditor shall report all findings to both the Committee and the CFO.)
- Confirm and ensure that the internal auditor is able to perform audits with independence, full access to needed information, and professional integrity.

5.3 Planning and Coordination of Audits

- Review with the independent auditor and the internal auditor the scope and plan of their respective audits and the degree of coordination of those plans. Each plan shall include objectives, scope, schedules of activities, organizational structure, and qualifications of auditors. Efforts shall be coordinated to ensure completeness of coverage, reduce redundancy and use audit resources effectively. Audit plans, including major changes to previously approved plans, shall not be executed without Audit Committee approval.
- Supplement auditing resources with additional resources as deemed necessary.
- Review and assess the internal and independent auditors’ responsibility for detecting accounting and reporting financial errors, fraud and defalcations, illegal acts, and noncompliance with Horne’s code of business ethics and conduct and regulatory requirements.
- Provide open avenues of communication for prompt and direct exchanges of views and information between the Committee and the Internal Auditor , as well as between the Committee and the independent auditor, concerning significant uncorrected failures of internal control, improper conduct or other significant financial or accounting matters that, in the opinion of either auditor, are not receiving adequate management attention

- Resolve, any conflicts or disagreements between management and the independent auditor, as well as between management and the internal auditor, regarding financial reporting, accounting practices or policies, including —
 - Problems or difficulties either auditor encountered in the course of the audit work.
 - Any restrictions on the scope of the auditor’s activities or access to requested information.

5.4 Review of Independent Audit Results and Financial Status

- Upon completion of the annual audit and before the public release of the audit results, review and discuss with the independent auditor —
 - The results of the audit and any certification, opinion, or report that the Independent Auditor proposes to render in connection with the company's financial statements.
 - The auditor's qualitative judgments about the appropriateness, not just the acceptability, of the company’s accounting principles and financial disclosures and how aggressive (or conservative) the accounting principles and underlying estimates are.
 - Management’s response to any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditor to the company.
 - Other material written communications between the independent auditor and the company's management, including management's letters and schedules of unadjusted differences.
 - The reasonableness of significant management judgments, estimates (including material changes in estimates), and new accounting policies
 - Any audit adjustments noted or proposed by the independent auditor (whether "passed" or implemented in the financial reports),
 - Any significant unresolved disagreements with management.
 - The company's annual financial statements and related footnotes, including the adequacy of the company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
 - Any other matters required to be communicated to the Committee by the independent auditor under Statement on Auditing Standards No. 61. Such review and discussion shall occur prior to the filing or distribution of such reports.

5.5 Review and Preparation of Other Reports and Disclosures

- Review and discuss the company’s earnings press releases, as well as financial information and any earnings guidance provided to analysts and rating agencies, to ensure consistency of information.
- Prepare such letters or reports regarding matters within the scope of the Committee’s role and responsibilities as may be required to be included in the company’s annual proxy statement or other public filings under applicable rules and regulations.
- Review the quarterly financial reports with management, the independent auditor, and the internal auditor before those interim reports are released to the public or filed with the SEC or other regulators.
- Prepare a letter for inclusion in the annual report that describes the Committee's composition and responsibilities and how the responsibilities were fulfilled.

5.6 Review of Accounting Policies, Practices, and Internal Controls

- Require the independent auditor to periodically report to and discuss with the Audit Committee and the internal auditor —
 - Any changes in important accounting principles, regulations, or laws that could have a material impact on the company's financial statements and the application thereof in both annual and interim financial reports.
 - All critical accounting policies and practices to be used by the company.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the company's management, ramifications of the use of such alternative disclosures and treatments, and the treatments preferred by the independent auditor.
- Meet with the independent auditor at least annually, and with no management in attendance, to openly discuss —
 - 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.
- Meet with the Independent auditor, the Internal Auditor, and management at least annually to review —
 - The integrity of the company's financial reporting processes and disclosure controls.
 - The adequacy and effectiveness of the company's internal controls to ensure completeness and accuracy of the company's financial statements and compliance with Section 404 of the Sarbanes-Oxley Act.
 - Significant risks and exposures and management's steps, including policies and procedures, to minimize them.
 - Any significant findings and recommendations made by the independent auditor or internal auditor, together with management's responses to them.
- Consider and approve, if appropriate, changes to the company's auditing and accounting principles and practices, as suggested by the independent auditor or management, and review with the independent auditor and management the extent to which such changes have been implemented.
- Review policies and procedures covering officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of those areas by the internal auditor or the independent auditor.
- Establish and periodically review procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.
- Set clear company hiring policies for employees or former employees of the outside accounting firm that serves as the Independent Auditors.
- Ensure the company maintains an appropriate ethics and compliance program as it pertains to the integrity of the company's financial reporting processes, both internal and external, and perform an annual review of its effectiveness.

5.7 Other Responsibilities

- As it deems necessary, direct the Independent Auditor and the internal auditor to inquire into and report to it with respect to any of the company's contracts, transactions or procedures, or the conduct of the corporate office, or any other unit, or any other matter having to do with the company's business and affairs.
- Review, discuss, and assess at least annually its own performance, as well as the adequacy of this charter with respect to applicable NASDAQ, SEC, and other corporate governance standards, seeking input from senior management, the full Board of Directors, and others; and recommend to the Board of Directors any necessary or appropriate changes to the charter.
- Review legal and regulatory matters that may have a material effect on the organization's financial statements, compliance policies and programs and reports from regulators.