

## **LAPORTE BANCORP, INC.**

### **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **CHARTER**

##### **PREAMBLE**

This Audit Committee Charter (the “Charter”) has been adopted by the Board of Directors of LaPorte Bancorp, Inc. (the “Company”). The Audit Committee of the Board shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

##### **OBJECTIVES OF COMMITTEE**

- To provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities and oversee management’s activities relating to accounting, record keeping, financial reporting, disclosure controls and internal control over financial reporting.
- Provide a vehicle and establish a forum for the free and open communication of views and information among the Company’s directors, independent public accounting firm, internal auditor and management.
- To appoint the Company’s independent public accounting firm and review and evaluate their independence.
- To resolve any disagreements regarding financial reporting between management and the independent public accounting firm.
- To provide oversight and supervision to the Company’s internal audit function and to consider the objectivity of the Company’s internal auditor.
- To perform the audit committee functions specified by the Securities and Exchange Commission and the NASDAQ Capital Market.
- To establish and maintain a system for confidential complaints regarding the Company’s accounting, financial reporting, disclosure controls, and internal control over financial reporting.

##### **PURPOSE OF THE AUDIT COMMITTEE**

The function of the Audit Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of Company’s consolidated financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal accounting and disclosure controls and procedures designed to assure compliance with applicable accounting standards, laws and regulations.

The independent auditors are responsible for planning and carrying out an appropriate audit of Company’s annual consolidated financial statements, reviews of the Company’s quarterly

consolidated financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures, and each member of the Audit Committee shall be entitled to rely on:

- a. The integrity of those persons and organizations within and outside the Company from which it receives information,
- b. The accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors), and
- c. Representations made by management as to any information technology, internal audit and other non-audit services provided by the independent firms to the Company.

The Audit Committee shall pre-approve all audit and non-audit services proposed to be provided by the Company's independent public auditing firm in compliance with section 202 of the "Public Company Accounting Reform and Investor Protection Act of 2002". The independent public auditing firm shall submit to the Company annually a formal written statement delineating all relationships between the independent public auditing firm and the Company ("Statement as to Independence"), addressing each non-audit service provided to the Company. The Audit Committee shall be responsible for considering whether any services provided by the independent public auditing firm would cause the independent public auditing firm to not be independent of the Company.

## **ROLES AND RESPONSIBILITIES**

The responsibilities of the committee include the following:

### **Independent Public Auditing Firm:**

- The Audit Committee shall be responsible for the appointment and/or discharge of the Company's independent public auditing firm for the purpose of auditing the Company's consolidated financial statements and, if and when required, attesting to its internal control over financial reporting. The Audit Committee shall also pre-approve the compensation of the independent public auditing firm, and evaluate the independent public auditing firm's independence. The Audit Committee shall also pre-approve all permissible non-audit services and fees to be provided by the Company's independent public auditing firm. The pre-approval of audit and non-audit services and fees of the independent public auditing firm may be documented by a member of the Audit Committee signing annual or periodic engagement letters that define in general terms the type of services to be provided and the range of fees that are considered acceptable for

such services, or as otherwise documented in the minutes of the Audit Committee meetings. The actual compensation paid to the independent public auditing firm, for all such pre-approved services and fees, are to be reported to the Audit Committee by management on at least a quarterly basis.

- Assess the qualifications of the Company's public auditing firm and its lead engagement partner. Oversee and evaluate the performance of such person and firm and if necessary, remove them.
- Obtain annually from the Company's independent public auditing firm a formal written statement describing all relationships between the firm and the Company. Discuss with the Company's independent public auditing firm any relationships that may impact the objectivity and independence of such firm and take, appropriate actions with respect to the independence of such firm from the Company.
- Use reasonable efforts to resolve any disagreements between management and the Company's independent public auditing firm regarding accounting, financial reporting, disclosure controls, internal control over financial reporting and similar matters.
- Obtain assurance from the Company's independent public auditing firm that Section 10A(b) of the Exchange Act has not been implicated.
- Review with the Company's independent public auditing firm the plan, procedures and scope of its annual audit of the Company's consolidated financial statements.
- The Audit Committee shall be responsible for informing the independent public auditing firm if it has any serious concerns regarding the accuracy and integrity of the Company's financial reporting, the honesty and integrity of the Company's management, and the adequacy of the Company's internal control over financial reporting and disclosure controls and procedures. In fulfilling these responsibilities the Audit Committee is aware that it is illegal for an officer or director of the Company to mislead or lie to the independent public auditing firm.
- Prepare such committee reports as may be required for inclusion in the Company's annual proxy statement.
- Review annually the report(s) of the Company's independent public auditing firm on the audit of the Company's consolidated financial statements.

#### **Financial Reporting Review:**

- Receive at least annually reports on critical accounting policies, alternative accounting treatments within GAAP and significant assumptions and estimates with respect to the Company's financial statements from its management and/or independent public auditing firm. The Audit Committee should also review with management and the independent public auditing firm their assessment of the quality of the Company's accounting principles. In connection with such review, review the financial accounting and reporting treatments preferred by the Company's independent public auditing firm.

- Review and discuss the Company’s audited consolidated financial statements with management and the Company’s independent public auditing firm including all of the matters indicated in Statement of Auditing Standards Number 114. Based on such review, recommend to the board of directors whether such audited financial statements should be included in the Company’s Annual Report on Form 10-K and Annual Report to Stockholders for the relevant fiscal year.
- Accuracy of Financial Reports. The Audit Committee shall require management to make all material correcting adjustments to the Company’s quarterly and annual consolidated financial statements to be filed with the SEC that are identified by the independent public auditing firm as being required by generally accepted accounting principles (“GAAP”) or the rules of the SEC.
- Review material written communications between the Company’s independent public auditing firm and management including the management letter and schedule of unadjusted differences.
- Receive reports from management on at least an annual basis on the Company’s disclosure of material off-balance-sheet data (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons that have a material current or future effect on the Company’s financial condition, results of operations, liquidity, capital resources or revenue or expenses.
- Receive reports from management on the appropriateness of any material pro forma data to be included in the Company’s public financial reports and whether such pro forma data has been presented in accordance with applicable SEC rules and regulations and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the pro forma financial information, in light of the circumstances under which it is presented, not misleading. Instruct management to reconcile any pro forma financial information used in the Company’s public financial reports with the financial condition and results of operations of the Company under GAAP.
- Review and discuss any proposed earnings announcement or financial press release with management and, if practicable, the Company’s independent public auditing firm prior to release.
- Review and discuss the Company’s periodic and annual consolidated financial statements and the results of the independent public auditing firm’s quarterly financial statement reviews and annual audit with management and the Company’s independent public auditing firm prior to filing the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and, if practicable, any other SEC financial disclosure filings.

**Disclosure Controls and Internal Control over Financial Reporting:**

- Oversee the selection, compensation and performance of the Company’s internal auditor or outsourced internal auditing firm. Evaluate the qualifications, effectiveness and independence of the Company’s internal auditor or outsourced internal auditing firm on

at least an annual basis and consider the need to make changes to ensure that the internal audit objectives are being met.

- Discuss with the Company's management and internal auditor or outsourced internal auditing firm the organization, scope, objectivity, budget and staffing of the Company's internal audit function.
- Instruct that no restrictions be placed upon the scope of the internal audit.
- The Audit Committee should review and approve the annual internal audit plans, monitor the completion of these plans, and approve any changes to the annual plans. The Audit Committee should review the periodic reports of internal audit activities, including the opinion of the internal audit or outsourced service provider regarding the adequacy of the Company's internal control over financial reporting and disclosure controls and procedures. The Audit Committee should meet with the internal audit or outsourced service provider to discuss the status of completion of the annual internal audit plans and the periodic internal audit reports and to consider the need for further audit follow-up and investigation.
- Receive reports from the Company's internal auditors or outsourced internal auditing firm regarding the Company's controls over computer systems, facilities and backup systems.
- Discuss with the Company's independent public auditing firm, internal auditor or outsourced internal auditing firm and management, the adequacy and effectiveness of the Company's financial and reporting controls including internal control over financial reporting and disclosure controls.
- Monitor the efforts of management to address any deficiencies noted by the Company's independent public auditing firm in the Company's disclosure controls, internal control over financial reporting or accounting processes.
- Review applicable reports of management and the Company's independent public auditing firm on internal controls over financial reporting, including, if and when required by applicable law or regulation, management's report and the independent public auditing firm's attestation report on internal control over financial reporting.
- Discuss with management on a quarterly basis its review and conclusions regarding the Company's disclosure control and procedures and whether there has been any changes in the Company's internal control over financial reporting to be disclosed in the Company's quarterly Form 10-Q and Annual Form 10-K.

**Other:**

- Disclosure of Code of Business Conduct and Ethics. The Audit Committee shall determine that the Company has complied with applicable requirements of the SEC to disclose, in periodic reports on Form 10-K, whether or not, and if not, the reason therefore, the Company has established a Code of Ethics covering senior financial

officers (CFO and controllers). Also, the Audit Committee shall inquire of management to determine that changes in or waivers of the Code of Ethics covering senior financial officers are approved by the Board of Directors, and reported promptly to the SEC by the Company on a Form 8-K.

- Disclosure of Audit Committee Financial Expert. The Audit Committee shall determine that the Company has complied with applicable requirements of the SEC to disclose in the Company's Annual Report on Form 10-K whether or not (and if not, why not,) the Company has at least one member on the Audit Committee who is a financial expert as defined by the SEC.
- Disclosure of Audit Committee Pre-Approval of Audit and Non-Audit Services. The Audit Committee shall determine that the Company has complied with applicable requirements of the SEC to provide disclosure in the Company's Annual Report on Form 10-K with respect to the pre-approval by the Audit Committee of all audit and non-audit services to be performed by the Company's independent public auditing firm.
- Real Time Issuer Disclosures. The Audit Committee shall determine that the Company has implemented procedures to comply with applicable requirements of the SEC make real time (prompt) public disclosures of any material changes in the Company's consolidated financial condition or results of operations.
- Discuss the Company's legal and regulatory compliance with the Company's Chief Compliance Officer on at least an annual basis.
- Review and approve all transactions with related parties as required under applicable NASDAQ Capital Market rules.
- Establish procedures for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting, financial reporting, internal control over financial reporting and auditing matters. The receipt, retention and investigation of any complaints received by the Company regarding accounting, financial reporting, internal control over financial reporting, or auditing matters; and the Audit Committee should re-approve the Audit Committee Charter, annually, with a copy of the charter filed with the SEC in the annual proxy statement every three (3) years, and after any amendments.

## **ORGANIZATION**

The Audit Committee shall consist of a minimum of three outside directors of the Company. All members must be (i) financially literate, (ii) able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement and (iii) able to satisfy applicable NASDAQ Capital Market, SEC and other requirements with respect thereto. In addition, at least one member shall have past employment experience in finance or accounting, requisite professional certifications in accounting, or any other comparable experience, training or background which results in such member's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior

officer with financial oversight responsibilities) and an understanding of Audit Committee functions.

All members of the Audit Committee must be free from any relationship with the Company which would interfere with their independent judgment. Other than in his or her capacity as a member of the board of directors or any committee thereof, no audit committee member shall accept directly or indirectly any financial consulting or advisory fee from the Company or any subsidiary. All Audit Committee members must meet the standards set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934 and comply with all applicable independence requirements of the NASDAQ Capital market, the SEC and any exchange or electronic trading system on which the Company's stock is traded. Individuals previously not meeting all independence requirements to serve on the Audit Committee must meet all independence requirements for at least three (3) years prior to being eligible to serve on the Audit Committee.

Members of the Audit Committee shall be appointed annually by majority vote of the Board of Directors and shall serve until the next annual meeting of the Board of Directors or until their successors shall be duly qualified and appointed.

The Audit Committee shall meet at least four times a year and more frequently as circumstances require to discuss with management the annual audited financial statements and quarterly financial results and the required certifications of the CEO and CFO. The timing of meetings shall be determined by the committee. However, at least once per year, the committee shall have private meetings with each of the Company's independent public auditing firm, management and the internal auditor.

- The Audit Committee may request any officer or employee of the Company, or the Company's independent counsel, or independent public auditing firms to attend a meeting of the Audit Committee or to meet with any members of or consultants to, the Audit Committee.
- Members of the Audit Committee may participate in a meeting of the Audit Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.
- One member of the committee shall be appointed as chairman. The chairman shall be responsible for leadership of the committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the board. The chairman will also maintain liaison as needed with the Company's CEO, CFO, the lead partner of its independent public auditing firm, the internal auditor and the general counsel.
- The committee shall create written minutes of its meetings. Following approval by the committee, the minutes shall be reported to the Board of Directors and shall be maintained with the books and records of the committee.
- The committee may perform annually a self-assessment relative to its performance relative to the purpose, duties and responsibilities as outlined herein.

- The committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities. The committee is empowered to engage independent counsel and such other auditing, accounting or other advisers as it determines necessary or appropriate to carry out its duties. The Company shall pay all expenses of such advisors and any other expenses that are necessary or appropriate, as determined by the committee, for carrying out the committee's duties.
- The Audit Committee may establish a program of regular continuing education for all Audit Committee members to ensure that they are properly equipped to fulfill their responsibilities.