

HORIZON LINES, INC.
AUDIT COMMITTEE CHARTER

I. INTRODUCTION

This charter assigns specific oversight responsibilities and authority to the Audit Committee of the Board of Directors (the “Committee”) of Horizon Lines, Inc. (the “Company”). Management is responsible for the preparation, presentation and integrity of the Company’s financial statements; accounting and financial reporting principles; internal controls; and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company’s independent auditor is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

II. ROLE AND PURPOSE

The Committee will be responsible for assisting the Company’s Board of Directors in fulfilling its responsibilities with respect to the oversight of the following:

- The Company’s relationship with its independent auditor; including the independent auditor’s qualifications, independence and performance;
- The integrity of the Company’s financial statements and reporting practices;
- The Company’s compliance with legal and regulatory requirements; and
- The performance of the Company’s internal audit function.

The Committee will also:

- Provide an open avenue of communication among the independent auditor, financial and senior management, internal audit department and Board of Directors; and
- Prepare the Committee’s report that Securities and Exchange Commission rules require to be included in the Company’s annual proxy statement.

III. ORGANIZATION AND MEMBERSHIP

1. The Committee shall consist of three or more Directors who are appointed by the full Board and who serve at the Board’s pleasure. Unless a Chair is elected by the Board, the Committee may designate a Chair by majority vote of its members. The Chair of the Committee shall establish the agenda for Committee meetings.

2. Each Committee member shall be an “independent” Director in accordance with the applicable rules and regulations of the New York Stock Exchange and the Securities and Exchange Commission (the “SEC”). All members of the Committee shall be financially literate and otherwise qualified to serve as determined by the Board. The Committee shall also comply with the following requirements:

- Directors' compensation (including Committee fees, if applicable) are the only compensation a Committee member may receive, either directly or indirectly, from the Company;
- At least one Committee member shall be a "audit committee financial expert," as defined by the rules of the SEC; and
- Committee members may not simultaneously serve on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair his or her ability to serve on the Committee.

3. The Committee will meet at least once per calendar quarter or more frequently as circumstances dictate, and report regularly to the Board on all of the significant matters discussed and acted on by the Committee. A majority of the Committee constitutes a quorum, and the Committee may act by unanimous written consent.

IV. ADMINISTRATION AND DELEGATION

1. The Committee is authorized to obtain advice and assistance from independent counsel and other advisors as it believes necessary and appropriate to carry out its duties. The Committee shall have the sole authority to retain, evaluate and terminate such advisors and to approve such advisors' fees and other retention concerns. The Company shall provide appropriate funding, as determined by the Committee in its sole discretion, for payment of compensation to any counsel or other advisors retained by the Committee.

2. Except as described below, the Committee may delegate functions to a subcommittee of one or more members only with the Board's approval.

3. On an annual basis, the Committee will:

- Review and approve its report to be included in the Company's proxy statement;
- Evaluate its performance; and
- Review this charter and update it as necessary (with any amendments subject to approval by the Board).

V. RESPONSIBILITIES AND DUTIES

The Committee's responsibilities and duties will be as follows:

A. Governance and Corporate Responsibility

1. Appoint, compensate, retain, oversee, evaluate and when necessary or desirable, terminate the Company's independent auditor. The Committee shall be directly responsible for approving the auditor's engagement fees and terms as well as significant non-audit engagements of the independent auditor. As part of its oversight responsibilities, the Committee will examine the independent auditor's qualifications, independence and compliance with partner rotation requirements. The Committee shall annually evaluate the lead partner of the independent auditor team. The independent

auditor shall report directly to the Committee, but shall also work with members of the Company's management as necessary.

2. Pre-approve all auditing services and permitted non-audit services to be provided by the Company's independent auditor, including the establishment of pre-approval policies, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)B) of the Securities Exchange Act, which shall be approved by the Committee prior to the completion of such audit services. The Committee may delegate the authority to grant such pre-approvals to one or more of its members, whose decisions must be presented to the Committee for its ratification. The Company will disclose the Committee's approval of any non-audit services by the independent auditor in its periodic reports filed with the SEC.

3. Review the effectiveness of the Company's procedures for monitoring compliance with all applicable laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance, including non-compliance with the Company's Code of Business Conduct and Ethics.

4. At least annually, obtain and review a written report by the independent auditor describing the following:

- All relationships the independent auditor has with the Company, including any non-audit services and related fees;
- The independent auditor's internal quality-control procedures;
- Any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any governmental or professional inquiry or investigation within the preceding five years respecting one or more independent audits carried out by the firm; and
- Any steps taken to address any such issues.

5. The Committee will periodically meet with the independent auditor, the internal audit department and management, in separate executive sessions, to discuss any matters that the Committee or these groups believe should be discussed.

6. Resolve any disagreements between management and the independent auditor.

7. Review and evaluate the internal audit function (including its responsibilities, budget and staffing as well as any significant reports it prepares for management) and discuss these with the internal audit group, management and the independent auditor.

8. Approve the appointment and replacement of the senior internal auditing executive.

9. Establish policies for the hiring of employees and former employees of the Company's independent auditor who may participate in any capacity in the audit of the Company.

10. Establish procedures for the following:
 - The receipt, retention and treatment of complaints or inquiries received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
11. Review, and have the power to approve or disapprove, any request for a waiver of or pre-approval of a transaction under any of the Company's code of conduct or ethics policies involving a Director or executive officer.

B. Audit Function and Financial Statements

1. Consider the audit scope and plans of the independent auditor and internal auditor and the audit procedures to be utilized.

The Committee will review and discuss the following with the Company's independent auditor:

- All critical accounting policies and practices utilized by the Company;
- All material communications between the independent auditor and management, such as any management letter, schedule of judgment differences or schedule of unadjusted differences; and
- All alternative treatments of financial information that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

The internal auditor will report to the Committee on the following:

- The development of the annual audit plan;
- Any unjustified restriction or limitation placed on the audit function;
- Any unresolved issues which would have an impact on internal controls or the financial statements;
- The reasons for any significant deviations from the established annual audit plan;
- All other matters required to be disclosed by Statement on Auditing Standards No. 61; and
- Any adverse findings derived from internal audits.

2. Review and consider the Company's annual and quarterly financial statements, related reports and findings from the Company's management, and meet to discuss such financial statements and reports with management and independent auditor, including the following:

- Major issues regarding accounting principles and financial statement presentation, including any significant changes in the selection or application of accounting principles or adoption of new principles;

- Disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s financial statements;
- Major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of significant deficiencies and material weakness;
- Significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of applying alternative accounting principles on the financial statements.
- Effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements; and
- When applicable, the policies and practices of the Company with respect to (a) the use of non-GAAP financial measures included in any periodic or other reports filed with the SEC, (ii) the use of or non-GAAP financial measures in any public release of information, and (iii) the reconciliation of non-GAAP financial measures with the most directly comparable GAAP financial measures and other disclosures relating to non-GAAP financial measures required under SEC rules.

The Committee shall recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K report.

3. Review the effectiveness of the Company’s internal control over annual and interim financial reporting, including information technology security and control. Establish procedures for management, the independent auditors and the internal auditors to report any significant deficiencies and reportable conditions in the design or operation of the Company’s internal controls, as well as any fraud that involves management or other employees who have a significant role in the internal controls.

4. Review with the independent auditor any audit problems or difficulties, including the following:

- Any restrictions on the scope of the firm’s activities or its access to requested information;
- Any disagreements with management;
- Accounting adjustments or disclosures proposed by the independent auditor but not adopted;
- Communications between the audit teams and the audit firm's national office with regard to auditing or accounting issues presented by the engagement; and
- Any management or internal control letter issued or proposed to be issued by the independent auditor.

The Committee will also review management’s responses to these issues.

C. Other Duties

1. Review and discuss with management the type and presentation of information included in the Company’s earnings news releases as well as financial information and earnings guidance provided to the Company’s securities analysts and rating agencies.

2. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
3. Discuss with the Company's General Counsel legal and regulatory matters that may have a material impact on the Company's financial statements.
4. Perform such other functions as may be assigned by the Board of Directors or as specified in the Company's Corporate Governance Guidelines or any policies approved by the Board, or any matters that from time to time may be required of the Company and which are normally and usually the responsibility of a public Company's Audit Committee.

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