

# DIAMOND HILL INVESTMENT GROUP, INC.

## AUDIT COMMITTEE CHARTER

Revised November 2004

### *Organization/Purpose*

The Audit Committee is a committee of the board of directors. Its primary function is to assist the Board in fulfilling their oversight responsibility for the integrity of the Company's financial statements; the financial reporting process; the systems of internal accounting and financial controls; and the independent auditor's qualifications and independence. The Committee shall be members of, and appointed by, the board of directors and shall comprise directors, each of whom the Board has determined meet the independence requirements of SEC regulations and the stock exchange listing standards. All Committee members shall be financially literate, and at least one member shall be an "audit committee financial expert," as defined by SEC regulations. The members of the Committee shall be appointed by the Board and the Board may, at any time and at its discretion, replace an Audit Committee member.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties with the Company responsible for the expense of such advisors.

### *Duties and Responsibilities*

The primary responsibility of the Audit Committee is to oversee the company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles, internal system of controls, and reporting policies that are used by the Company. The independent auditors are responsible for auditing the company's financial statements and for reviewing the Company's unaudited interim financial statements. The Committee should take appropriate actions to set the overall corporate tone for quality financial reporting and sound business risk practices. The following shall be the principal duties and responsibilities of the Audit Committee. These are set forth as a guide with the understanding that the committee may supplement or alter them as appropriate.

1. Provide an open avenue of communication between the independent accountant and the board of directors.
2. Review and update the Committee's charter annually.
3. The Committee shall be directly responsible for the appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the work of the independent auditors, including resolution of disagreements between Management and the auditors regarding financial reporting. The independent auditor shall report directly to the Audit Committee.

4. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services prescribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to who pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.
5. The Committee shall review the interim financial statements and disclosures under Management's Discussion and Analysis or Plan of Operation with Management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The chair of the Committee may represent the entire Committee for the purposes of this review.
6. The Committee shall review with Management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis or Plan of Operation to be included in the Company's Annual Report on Form 10-K, including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
7. Confirm and assure the independence of the independent accountant. The audit committee is responsible for ensuring it receives from the outside auditors, a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee is responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to ensure the independence of the outside auditor.
8. Inquire of management and the independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk to the company.
9. Consider, in consultation with the independent auditor, the audit plan and scope.
10. Consider and review with the independent auditor: a) The adequacy of the company's internal controls including computerized information system controls and security, b) Management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on Management's assertion, and c) Any related significant findings and recommendations of the independent auditor together with management's responses thereto.
11. The Committee shall receive reports on any violations of the Company's Code of Conduct by members of the Board and associates of the Company and on any violations of the

Company's Financial Code of Ethics by the Chief Executive Officer and senior financial officers of the Company.

12. The Committee shall review the CEO and CFO's disclosure and certifications under Section 302 of the Sarbanes-Oxley Act.
13. The Committee shall prepare an annual report to be included in the Company's annual proxy statement as required by SEC regulations.
14. The Audit Committee will regularly report Committee actions to the board of directors with such recommendations as the Committee may deem appropriate.
15. The Committee shall meet at least annually or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
16. The Committee will perform such other functions as assigned by law, the company's charter or bylaws, or the board of directors.
17. At least annually, an Executive Session will be held with the Audit Committee and independent auditors without management present. This will provide the Audit Committee an opportunity to ask questions to the independent auditors independently of management. Upon completion of the Execution Session, management will join both parties and continue discussions.

### ***General***

In performing their responsibilities, Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

1. One or more officers or employees of the Company whom the committee members reasonable believe to be reliable and competent in the matters presented; or
2. Counsel, independent auditors, or other persons as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person.