

## **EDGEWATER BANK**

### **AUDIT COMMITTEE CHARTER**

#### **Overview**

The Board of Directors (the “Board”) of Edgewater Bank (the “Bank”) has established policies to ensure that the Bank is operated in a safe and sound manner, and charges management with the responsibility for carrying out these policies. An Audit Committee Charter has been established which sets forth guidelines and minimum requirements for the Bank’s overall audit function. The Audit Committee (the “Committee”) shall review and approve the Charter as needed and provide the approved Charter to the Board for review.

#### **Composition**

The Committee shall consist of directors of the Bank who are not employees of the Bank and who are, in the opinion of the Board, free from any relationship that would interfere with the exercise of independent judgment as a member of the Committee. In the event the Board is required, by applicable law, rule or regulation, or by rule or regulation of any self-regulatory body applicable to the Bank, to select members of the Committee on a basis other than that outlined above, the Board shall utilize such new criteria in the selection of Committee members. The Committee shall consist of that number of directors (independent of management of the institution) as the Board shall determine from time to time, but no fewer than three directors. The Board Chairperson shall appoint one member of the Committee to act as Chairperson of the Committee and the Committee Chairperson shall appoint a recording secretary who may or may not be a Committee member. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements. The Committee Chairperson shall have banking or related financial management experience.

#### **Authority**

The Committee is granted the authority to perform each of the specific duties summarized in this Charter and, upon the direction and approval of the Board, to investigate any activity of the Bank. However, the Chairperson of the Board may, from time to time, appoint a select committee of independent directors to make specific investigation of any matter under the authority of the Committee. The Committee may request, at its sole discretion, reports on matters related to its authority or duties as described in this Charter or on any other subject which it deems appropriate to its oversight responsibilities. All employees of the Bank are directed to cooperate as requested by members of the Committee. The Committee is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities; this will include the use of outside legal counsel. The Committee will notify the Board of such action. The Committee shall recommend to the Board any appropriate extensions or changes to the authority or duties of the Committee.

## **Responsibility**

The Committee is to serve as a focal point for communication between the Board and the internal audit, loan review, information technology and compliance auditors. The Committee's primary duties relate to regulatory compliance and control features of the Bank.

The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to non-financial internal controls policies and reporting practices of the Bank and all subsidiaries and the sufficiency of auditing and compliance relative thereto. The Committee shall also perform such general oversight and investigative functions as shall be designated herein or in future resolutions of the Board. The opportunity for the independent auditors to meet with the entire Board as needed is not to be restricted.

## **Meetings, Quorum and Action Without Meetings**

The Audit Committee shall meet at such times as the Chairperson of the Committee shall designate and notice of such meetings shall be given to Committee members all in accordance with the bylaws of the Bank. A minimum of two meetings per calendar year shall be held by the Committee. Upon the request of the Chairperson of the Board or the Bank's independent auditors, the Chairperson of the Committee shall convene a meeting of the Committee to consider any matters such auditors believe should be brought to the attention of the Committee or the Board. A simple majority of this Committee, but not less than two Committee members, shall constitute a quorum for the transaction of business. Unless the Committee by resolution determines otherwise, any action required or permitted to be taken by the Committee may be taken without a meeting if all members of the Committee consent thereto in writing and the minutes reflect such.

## **Reports and Minutes**

The Committee shall report to the Board periodically or as required by the nature of its duties on all of its activities and shall make such recommendations to the Board as the Committee deems appropriate or as are required by the duties of the Committee. The recording secretary of the Committee shall publish minutes of each of its meetings. The Committee shall review and approve the minutes of its meetings and the same shall be presented to the Board for acceptance and filed with the Secretary of the Bank for retention with the records of the proceedings of the Board.

## **Attendance**

The independent auditors and members of bank management shall attend meetings as requested by the Committee. Unless the Committee by specific resolution determines otherwise, members may participate in meetings by conference telephone or other means in accordance with the bylaws of the Bank. Committee members are expected to attend all Committee meetings but are allowed one absence each calendar year. Committee

members should inform the Committee Chairperson and/or the President & CEO if they are not able to attend a Committee meeting.

### **Education**

The Committee's members shall participate, to the extent they feel necessary, in continuing education programs designed to increase their knowledge of best practices and matters regarding risk management, financial reporting, accounting, auditing and related areas.

### **Specific Duties**

The Committee shall have and may exercise the powers of the Board in the management of the business and affairs of the Bank and its subsidiaries, in accordance with the following delegated duties and functions:

1. Recommend to the Board independent audit firms (internal audit, loan review, information technology and compliance) each year. The independent audit firms are ultimately responsible to the Committee and, as a result, the Board. Recommendation and approval of independent auditing firms shall be accomplished within an appropriate time to ensure adequate time for Board approval.
2. Review the audit plan (including annual engagement letters and fees) of the independent audit firms for adequacy each year. The internal audit plan and engagement structure should be consistent with regulatory requirements.
3. Review the results of the independent audit firms' work and the response of management.
4. Provide oversight for the internal audit, loan review, information technology and compliance functions in their monitoring and testing of internal accounting controls, loan portfolio quality, the allowance for loan losses, and compliance with regulations and policy.
5. Review supervisory examination reports of the Bank and all subsidiaries and management responses to supervisory examination comments.
6. Meet with members of management to discuss matters not resolved in its response to the written reports from the internal auditors and regulatory agencies.
7. Report to the Board on matters discussed in committee and recommend to the Board any required course of action.
8. Review policies to protect bank and customer information from abuse, fraud and improper disclosure.

9. Meet with the independent audit firms on at least an annual basis without bank management.
10. Establish a mechanism, appropriate to the size and complexity of the Bank, for employees to confidentially and anonymously submit concerns to the Committee about questionable internal controls or auditing matters. The Committee shall also set up procedures for the timely investigation of complaints received and the retention of documentation concerning the complaint and its subsequent resolution for a reasonable time period.