AUDIT COMMITTEE CHARTER

I. PURPOSE & AUTHORITY

The Audit Committee is comprised of members of the Board of Directors, and its primary function is to assist the Board in fulfilling its oversight responsibilities relating to the quality of financial reporting, the system of internal control, the audit process, and the Association's process for monitoring compliance with laws and regulations and the code of conduct.

While the Audit Committee has the powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Association's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountant. However, it is the responsibility of the Audit Committee to ensure reasonable steps are taken by management to ensure the accuracy of financial reporting and the adequacy of the Association's system of internal controls.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to review the financial information and internal control assertion presented by management to the shareholders, regulators and the general public. Oversee the institution's system of internal control related to the preparation of financial reports, including controls of the institution to ensure compliance with laws and regulations.
- Evaluate the selection of the independent accountants retained to prepare an annual audit report. The independent accountant shall report directly to the Audit Committee.
- Evaluate the selection of the accountants retained to perform internal audit function and determine the scope of such services. The internal auditor shall report directly to the Audit Committee.
- Determine the selection of the independent examiner engaged to perform the annual internal credit review and the scope of such services. The independent examiner shall report directly to the Audit Committee.
- Determine the selection of the independent reviewer engaged to conduct an appraisal review and the scope of such services. The independent reviewer shall report directly to the Audit Committee.
- Review and appraise the audit efforts of the Association's independent accountants, internal auditors, internal credit reviewers, and appraisal reviewers. Monitor the Association's compliance with legal and regulatory requirements.
- Review and supervise the internal audit function.
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditors, and the Board of Directors.

The Audit Committee will fulfill these responsibilities by carrying out the activities and processes enumerated in the following sections of this Charter. In doing so, the Committee has full access to all books, records, facilities, and personnel of the Association and the power to retain outside counsel or other experts considered necessary in discharging its oversight role including retaining services for training on industry best practices. The Association shall provide for appropriate funding, as determined by the Committee. A two-thirds majority vote of the Board of Directors is required to deny request for resources.

II. COMPOSITION

The Board of Directors will appoint an Audit Committee (Committee) and delegate to that Committee all the rights, obligations, responsibility and authority necessary to fulfill its duties under this charter. The Committee shall be comprised of at least three directors as determined by the Board, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Other directors may serve as alternates on the Committee at the Board's discretion. All members of the Committee should be knowledgeable in at least one of the following: public or corporate finance, financial reporting and disclosure, or accounting procedures, and collectively should have the accounting or related financial management expertise to fulfill their responsibility. The Committee must have one financial expert.

The members of the Committee shall be appointed by the Board at the first regularly scheduled board meeting following the annual Stockholder's meeting and shall serve until their successors shall be duly selected and qualified. Committee members shall appoint a chairman and vice chairman at its first scheduled committee meeting.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet as often as needed, but at least once per year, with management, the internal auditors, the independent accountants, and others as deemed necessary, in separate executive sessions to discuss any matters that the Board, Committee or any of these groups believe should be discussed. These meetings should be attended in person if possible; however, use of telephone and/or video-conferencing may be used as well, as determined by the Committee. Meetings may be called by the Chairman of the Committee, Chairman of the Board, CEO or CFO.

Meeting agendas and appropriate materials will be prepared and provided in advance to members whenever possible, and minutes of meetings will be prepared and retained for a minimum of 3-years as prescribed by FCA Regulation §620.30. The Committee Chairman shall report on the activities of the Committee to the full board.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall, with such assistance from and consultation with management, independent accountants, internal auditors, credit review personnel, regulatory personnel, legal counsel and others, as the Committee deems appropriate:

Documents/Reports Review

1. Review the adequacy of this charter on an annual basis and recommend any proposed changes to the Board for approval.

2. Review the Association's annual and quarterly financial statements and any reports or other significant financial information including any certification, report, opinion, or review rendered by the independent accountants prior to release.

3. Discuss with the independent accountants, prior to the release of the annual audited financial statements, all (1) critical accounting policies and practices used by the Association, (2) all material alternative accounting treatments of financial information within authoritative accounting guidance that have been discussed with management, including the ramifications of the use of such alternative treatments, and disclosures and the treatment preferred by the independent accountant, and (3) other material written communications between the independent accountants and management, such as management letter, schedule of unadjusted differences, reports on observations and recommendations on internal controls, a listing of adjustments and reclassifications not recorded, and the independent accountant's independence letter.

4. Evaluate the adequacy of the Association's internal controls by review of written reports from the internal and external auditors and monitor management's response and actions to correct any noted deficiencies.

5. Review the annual risk assessment process and approve the scope of internal audit's plan for the year.

6. On a periodic basis, review the status of the audit plan and ascertain management's efforts to respond to audit issues.

7. Review all reports of complaints, if any, from the whistleblower hotline. Complaints should be reported to the audit committee within 30 days.

8. Meet at least annually, or as needed, with members of management to discuss and provide input on the Association's system of internal controls.

Independent Accountants and Internal Auditors

9. Related to the independent accountants, the Committee is charged with:

    - The selection of the independent accountants for the coming year, considering independence and effectiveness;
    - Review the audit plan, scoping and staffing for the annual audit;
    - Review and approve the fees and other compensation to be paid to the independent accountants.
    - Review the performance of the independent accountants and approve any replacement of the independent accountants when circumstances warrant.
    - If deemed appropriate after review and discussion, recommend that the financial statements be included in the Association's annual report.

- Pre-approve audit, audit-related and allowable non-audit services to be provided by the independent accountants. On an annual basis, the Committee should obtain and review a formal written statement from the independent accountants that discusses all significant relationships the accountants have with the Association in order to determine the accountants' independence.
- Discuss with the independent accountants matters required to be discussed by AU 380.04 (Statement of Auditing Standards No. 114) (The Auditor's Communication with those Charged with Governance).
- Review with the independent accountants any problems or difficulties the accountants may have encountered during the annual review, including any disagreements between management and the independent accountants in connection with the preparation of the financial statements.

10. Related to internal auditors, the Committee is charged with:

    - The selection of the internal auditors for the coming year;
    - Review, approve and monitor the audit risk assessment, scope and procedures of the internal auditors;
    - Review and approve the budget, staffing, and organizational structure of the internal auditors;
    - Review the performance of the internal auditors and approve any replacement of the independent accountants when circumstances warrant.
    - Review with the internal auditors any problems or difficulties they may have encountered during the review, including any disagreements between management and the independent accountants in connection with the audit.

11. Periodically consult with the independent accountants and internal auditors in executive session to discuss internal controls and the completeness and accuracy of the organization's financial statements.

12. Review any significant recommendations in the management letter provided by the accountants and the Association's response to the letter.

Financial Reporting Process

13. In consultation with the independent accountants, review the integrity of the Association's financial reporting processes, both internal and external.

14. Discuss with the independent accountants their judgments about the quality and appropriateness of the Association's accounting principles as applied in its financial reporting.

15. Consider and approve, if appropriate, major changes to the Association's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditors.

16. Review, prior to release, any information or reports regarding significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and any fraud,

whether or not material, that involves management or other employees who have a significant role in internal controls.

17. Review, if applicable, (1) the effect of off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors and (2) any reports or written electronic material disclosing "pro-forma" or "adjusted" non-GAAP information.

Process Improvement

18. Following completion of the annual audit and/or internal audit, review separately with management, the independent accountants and the internal auditors any problems or significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, and any disagreement among management and the independent accountants or the internal auditors in connection with the preparation of the financial statements.

19. Review and monitor management's efforts to respond to audit findings.

20. Review with the independent accountants, the internal auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

21. Receive periodic reports on internal controls or certain control environments (i.e. SSAE 18, Reporting on Controls at a Service Organization).

Ethical and Legal Compliance

22. Review legal compliance matters that may have a material impact on the financial statements, the Association's compliance policies, and any material reports or inquiries received from regulators or governmental agencies.

23. Review the findings of any examinations by regulatory agencies and management actions to address findings and recommendations.

24. Establish procedures for the receipt, retention, and treatment of complaints received regarding the Association's accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission by the employees of the Association of concerns regarding questionable accounting or auditing matters.

Communication and Documentation

25. Regularly report to the board of directors about Committee activities, issues, and related recommendations.

26. Report annually to the shareholders the Committee's composition, responsibilities, and how they were discharged, and any other information required by regulation, including approval of non-audit services.

27. Evaluate the Committee's performance at least annually.

28. Maintain records of meetings, including attendance, in accordance with the Association's record retention policy but no less than three fiscal years.

29. Minutes must contain record of agreement or disagreement when Committee reviews financial policies, procedures and reports.

30. Perform any other activities consistent with this Charter, the Association's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.