

# **Sierra Vista Bank** **Audit Committee Charter**

This charter shall be reviewed, updated and approved annually by the board of directors. Reference should also be made to the bank's Audit Policy, which contains additional information on the duties of the audit committee.

## **Role and Independence**

The audit committee of the board of directors assists the board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of the bank and other such duties as directed by the board. The membership of the committee shall consist of at least three directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. Each member shall be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment, and shall meet the director independence requirements for serving on audit committees as set forth in the corporate governance standards of the NASDAQ Stock Exchange. The committee is expected to maintain free and open communication (including private executive sessions at least annually) with the independent accountants, any internal auditors or other review/audit service providers and the management of the bank. In discharging this oversight role, the committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose.

The board of directors shall appoint one member of the audit committee as chairperson. He or she shall be responsible for leadership of the committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the board of directors. The chairperson will also maintain regular liaison with the CEO, CCO, CFO, and the lead independent audit partner.

## **Responsibilities**

The audit committee's primary responsibilities include:

- Selecting and retaining the independent accountant that will audit the financial statements of the Bank. In so doing, the committee will request from the auditor an affirmation that the auditor is in fact independent, discuss with the auditor any relationships that may impact the auditor's independence, and report to the board any actions necessary to oversee the auditor's independence.

- Selecting and retaining the external auditors to perform loan reviews and audits of operations, administration, compliance, technology, investments, and other areas as determined by the Committee.
- Overseeing the independent auditor relationship by discussing with the auditor the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the auditor full access to the committee (and the board) to report on any and all appropriate matters.
- Providing guidance and oversight of any internal audit activities of the bank (including loan reviews, operational audits and electronic banking/technology reviews), including reviewing the organization, plans and results of such activity.
- Reviewing the audited financial statements and discussing them with management and the independent auditor. These discussions shall include consideration of the quality of the bank's accounting principles as applied in its financial reporting, including review of estimates, reserves and accruals, review of judgmental areas, review of audit adjustments whether or not recorded and such other inquiries as may be appropriate. Based on the review, the committee shall approve inclusion of the company's audited financial statements in any regulatory filings or communications with shareholders.
- Reviewing with management and the independent auditor, if applicable, any interim financial information to be submitted to the bank's shareholders. This review may be performed by the committee or its chairperson.
- Discussing with management, any internal auditors and the external auditors the quality and adequacy of the company's internal controls.
- Reviewing any examination reports received from regulatory agencies and management's response to such reports with management.
- Discussing with management the status of pending litigation, taxation matters and other areas of oversight to the legal and compliance area as may be appropriate.
- Reporting audit committee activities to the full board and issuing annually a report to be included in the proxy statement (including appropriate oversight conclusions) for submission to the shareholders.

## **Pre-Approval Process for Audit and Non-audit Services Provided by Independent Accountant**

As discussed previously, the audit committee of the board of directors is responsible for the appointment, compensation and oversight of the work of the independent public accounting firm (the "Auditor"). As part of this responsibility, the audit committee is to pre-approve any audit and non-audit services performed by the Auditor in order to assure that they do not impair the Auditor's independence from the bank. The bank and its audit committee are committed to ensuring the independence of the bank's independent public accounting firm, both in appearance as well as in fact. Accordingly, significant attention will be directed toward determining the appropriateness of using the Auditor to perform other than audit services.

Annually, the Auditor's lead audit partner will review with the audit committee the services expected to be provided in the coming year and the related fees. Management will also provide the audit committee with recommendations for the audit committee's pre-approval of any audit related, tax or other non-audit services that the Auditor has been asked to provide or may be asked to provide that have not been previously approved. All such services are to be approved by the audit committee prior to commencement of the services. The only exception to this policy is for ad-hoc services that may be requested by management provided that the services to be rendered are for an amount of \$1,000 or less. In this instance, management is authorized to engage the Auditor to provide the services and the audit committee will review and approve the expenditures at its next scheduled meeting.

Revised and Approved by Audit committee  
September 23, 2009