

**MAINSTREET BANK  
AUDIT COMMITTEE CHARTER**

**Approved by Board of Directors: February 29, 2008**

**AUDIT COMMITTEE CHARTER**  
**Table of Contents**

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS ..... 3  
I. PURPOSE ..... 3  
II. COMPOSITION..... 3  
III. MEETINGS..... 4  
IV. RESPONSIBILITIES AND DUTIES ..... 4

**MAINSTREET BANK  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
CHARTER**

**I. PURPOSE**

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors in fulfilling its responsibility to oversee management regarding (1) the conduct and integrity of the Bank’s financial reporting to the regulatory bodies; (2) the Bank’s systems of internal accounting and financial and disclosure controls; (3) the qualifications, engagement, compensation, independence and performance of the Bank’s independent accountants, their conduct of the annual audit, and their engagement for any other services; (4) the Bank’s legal and regulatory compliance; (5) the Bank’s Code of Ethics as established by management and the Board of Directors; and (6) the preparation of the audit committee report required by rules of the Securities and Exchange Commission.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Bank. The Committee has the power to retain outside counsel, independent accountants or other advisors to assist it in carrying out its activities. The Bank shall provide adequate resources to support the Committee’s activities, including providing adequate funding, as determined by the Committee for the payment of (1) compensation to the independent accountant engaged for the purpose of preparing or issuing the audit report or performing other audit, review or attest services for the Bank, (2) compensation to any independent advisor employed by the Committee and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have the sole authority to retain, compensate, direct, oversee and terminate counsel, independent accountants, and other advisors hired to assist the Committee, who shall be accountable ultimately to the Committee.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

**II. COMPOSITION**

The Committee shall consist of three or more Board members, each of whom shall meet the independence and qualification requirements of The Nasdaq Stock Market, Inc., Section 10A(m)(3) of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission, and 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. All members of the Committee shall have a working familiarity with basic financial

and accounting practices and be able to read and understand fundamental financial statements. The Committee shall also have at least one member who is a “financial expert” as defined by the Securities and Exchange Commission.

The members of the Committee shall be designated by the Board at the annual organizational meeting of the Board and each member shall serve until such member's successor is duly designated or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board. Unless a Chair is designated by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

In fulfilling its responsibilities, the Committee may delegate responsibilities to a subcommittee consisting of one or more members of the Committee, except that the entire Committee must participate in the review of the Form 10-K.

### **III. MEETINGS**

The Committee shall meet at least once a quarter, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should annually meet separately with management, the internal auditor and the independent accountants in executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Committee shall make regular reports of its activities to the Board of Directors.

The Committee should review on a quarterly basis the Form 10-Q or Form 10-K, as applicable, with management and the independent accountants as required by paragraph 4 under “Documents/Reports Review” in Section IV below. In addition, the Committee should meet with the independent accountants, the internal auditors and management twice each year to review the Bank’s financials to ensure changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented consistent with paragraph 4 under “Process Improvement” in Section IV below. The Chair of the Committee may represent the entire Committee for purposes of these reviews, except that the entire Committee must participate in the review of the Form 10-K.

### **IV. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

### **Documents/Reports Review (DR)**

1. Review the Charter periodically, at least annually, as conditions dictate and recommend changes to the Board of Directors.
2. Review the Bank's annual financial statements and any other reports of other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants.
3. Review the regular internal reports to management prepared by the internal auditors and management's response.
4. Review on a quarterly basis the Form 10-Q or Form 10-K, as applicable, with management and the independent accountants. The Chair of the Committee may represent the entire Committee for purposes of the review of the Form 10-Q.

### **Independent Accountants (IA)**

1. The Committee will have direct responsibility for the oversight of the independent accountants, including their appointment, retention, discharge and compensation (including resolution of disputes between management and the accountants regarding financial reporting).
2. Determine the independent accountants' compliance with the requirements of the Public Company Accounting Oversight Board and the Securities and Exchange Commission.
3. The Committee shall ensure that it receives from the independent accountants a formal written statement delineating all of the relationships between the independent accountants and the Bank and shall oversee the independence of the accountants by reviewing and discussing with the independent accountants on a periodic basis, any disclosed relationships or services that may impact the objectivity and independence of the accountants.
4. The Committee shall also pre-approve all audit and permitted non-audit services (including the fees and terms thereof) to be performed for the Bank by its independent accountants, subject to and in accordance with Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 and the Committee's pre-approval policy, as it may be amended from time to time.
5. The independent accountants shall report directly to the Committee.

## **Other Consultants and Advisors**

The Committee will have direct responsibility for the oversight of internal auditors, compliance consultants and loan reviewers, including their engagement, retention, discharge and compensation.

## **Financial Reporting Process (FR)**

1. In conjunction with the independent accountants and the internal auditors, review the integrity of the Bank's financial reporting process, both internal and external.
2. Consider the independent accountants' judgments about the quality and appropriateness of the Bank's accounting principles as applied in its financial reporting.
3. Consider and approve, if appropriate, major changes to the Bank's auditing and accounting principles and practices as suggested by independent accountants, management, or the internal audit department.

## **Process Improvement (PI)**

1. Establish regular and separate systems of reporting to the Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
2. Following completion of the annual report, review separately with each of management, the independent accountants and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
3. Review any significant disagreement among management and the independent accountants or the internal auditors in connection with the preparation of the financial statements.
4. Review with the independent accountants, the internal auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the 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.)
5. Take the necessary action to assess the Committee's performance annually. Report the results of the assessment to the Board of Directors with recommendations for improvement.

## **Ethical and Legal Compliance (EC)**

1. Establish procedures for the receipt, retention and treatment of complaints and concerns received by the Bank regarding accounting, internal accounting controls, or auditing or related matters and the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters.
2. Establish, review and update periodically a Code of Ethics and ensure that management has established a system to enforce the Code of Ethics.
3. Review management's monitoring of the Bank's compliance with the Code of Ethics, and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
4. Review activities, organizational structure, and qualifications of the internal auditors.
5. Review, with the Bank's counsel, legal compliance matters including corporate securities trading policies.
6. Review, with the Bank's counsel, any legal matter that could have a significant impact on the Bank's financial statements.
7. Conduct an appropriate review of all related party transactions required to be disclosed in the Bank's public filings for potential conflicts of interest situations on an ongoing basis and approve such transactions when appropriate.
8. Perform any other activities consistent with this Charter, the Bank's Bylaws and governing law, as the Committee of the Board deems necessary or appropriate.
9. Retain its own legal counsel when the Committee deems such action is necessary and appropriate.

The Audit Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time

Amendments to this policy can only be made by the Board of Directors of the Bank.