

MOTHER LODE BANK

Audit Committee Charter

Approved May 2008

Audit Committee Purpose

The Board of Directors of Mother Lode Bank (the “Bank”) has established an Audit Committee (the “Committee”) for the purpose of assisting the Board in fulfilling its oversight responsibilities, primarily through:

- overseeing management’s conduct of the Bank’s financial reporting process and systems of internal accounting and financial controls;
- monitoring the independence and performance of the Bank’s outside auditors;
- monitoring the independence and performance of the Bank’s internal auditors; and
- providing an avenue of communication among outside auditors, internal auditors, management and the Board.

Membership

The Committee will consist of at least three non-management members of the Board of Directors.

The Board of Directors will appoint the members annually and may remove committee members at any time. The board will also appoint a member to act as Chairman of the Committee.

Responsibilities and Duties

The Audit Committee’s principal responsibility is one of oversight. Management is responsible for preparing the Bank’s financial statements and the outside auditors are responsible for auditing and/or reviewing those financial statements. The Board of Directors is responsible for approving the Bank’s policies, procedures, practices and controls recommended by Management. It is Management’s responsibility to implement these items and it is the outside auditor’s responsibility to review these items and confirm to the Audit Committee 1) the adequacy of these policies, procedures, practices and controls, 2) the implementation of these items, 3) the findings of their examination and 4) the recommended enhancements to the Bank’s policies, procedures, practices and controls.

The Committee's specific duties and responsibilities include:

- 1) Appointing the external and internal auditors;
- 2) Developing an audit plan with the external and internal auditors;
- 3) Overseeing the external and internal auditors' work;
- 4) Determining the scope of services and compensation to be paid to the external auditors for services provided in preparing and issuing an audit report or related work;
- 5) Resolving any disagreement between management and the external auditors regarding financial reporting;
- 6) Overseeing the integrity of the financial statements;
- 7) Reviewing compliance with legal and regulatory requirements;
- 8) Ensuring adequate qualifications and independence of the internal auditor;
- 9) Determining the scope of services and compensation to be paid to the internal auditors for services provided in preparing and issuing an audit report or related work;
- 10) Reviewing audit reports and financial statements with management and auditors
- 11) Following-up with audit findings and tracking corrective action to be taken;
- 12) Assigning responsibility for corrective action and maintaining accountability;
- 13) Reviewing the performance of the internal auditor firm and external audit firm;
- 14) Pre-approving any non-audit services to be provided to the Bank by the auditing firm;
- 15) Obtaining from outside auditors assurance that they have complied with the FDIC's internal audit policy statement guidance on the independence of the external and internal auditors;
- 16) Receiving from the outside auditors on a periodic basis a formal written statement delineating all relationships between the outside auditors and the Bank, consistent with the Independence Standards Board No. 1, regarding relationships and services, which may impact the objectivity and independence of the outside auditors, and other applicable standards. The statement shall include a description of all services provided by the outside auditors and the related fees. The Committee shall actively engage in dialogue with the outside auditors regarding any disclosed relationships or services that may impact the objectivity and independence of the outside auditors and shall evaluate, after gathering information from management, and other Board members, the performance of the outside auditors and recommend action to satisfy itself of the independence of the outside auditors;
- 17) Establishing suitable procedures for the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal controls or auditing matters. The Committee will be expected to ensure that Bank procedures are kept current and that there is a suitable process for ensuring compliance with these procedures;

- 18) Dealing with the confidential submissions of concerns by employees regarding questionable accounting, financial reporting or auditing practices;
- 19) Reviewing with the Bank's counsel any legal compliance matters, and any other legal matters that could have a significant, adverse impact on the Bank's financial statements;
- 20) Reviewing with the Bank's counsel any federal, tax or regulatory matters that may have a material impact on the Bank's operations and the financial statements, related Bank compliance programs and policies, and programs and reports received from regulators, and shall monitor the results of the Bank's compliance efforts; and

Meetings

The Committee shall meet as frequently as circumstances dictate, but no less than four times each fiscal year. The chairman of the Committee shall prepare and/or approve an agenda in advance of each meeting. The agenda and all pertinent documents shall be forwarded to committee members at least one week prior to each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

The Committee is authorized to invite management or other specialists to the meeting, in order to provide expert opinion or information in respect of issues being discussed. However, a portion of each meeting must be held without management present and documented in the minutes.

Reporting

The Committee shall, through its chairman, report to the Board at the next scheduled Board meeting following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the outside auditors, the performance of the internal audit function or other matters related to the Committee's functions and responsibilities.

The Committee shall also, if appropriate, provide timely and accurate reports to the shareholders and regulatory authorities, on matters included in "Responsibilities and Duties" above.

Authorities

In order to undertake its activities, the Committee is authorized to study and investigate any activity within the organization, and shall require all employees to cooperate fully with such investigations. The Committee is also authorized to appoint any additional experts that it considers necessary in the completion of its duties. The Bank shall make provisions for an appropriate level of funding, the amount to be determined by the Audit Committee, for payment of compensation to advisors appointed by the Committee and the external audit firm.