

Plains Land Bank, FLCA

Audit Committee Charter

PURPOSE

It is the audit committee's responsibility to oversee the institution's financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

While the committee has the powers set forth in this charter, it is not the duty of the 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 committee to ensure reasonable steps are taken by management to ensure the accuracy of financial reporting.

- Oversee and appraise the quality of the audit effort of the Association's external and internal audit function.
- Maintain, by scheduling regular meetings, open lines of communications among the Board, its external auditor, its internal auditor, its regulators, and its independent reviewers to exchange views and information as well as confirm their respective authority and responsibilities;
- Provide independent and objective review of the reliability and integrity of financial information presented to stockholders, regulators and the general public.
- Enhance the independence of the internal audit function and monitor the independence and performance of the external auditor
- Monitor management's responsibility to design, maintain and attest to the Association's internal controls over financial reporting.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. The committee will have access to all financial, credit, administration and operational records and employees of the Association. It is empowered to:

- Appoint, compensate and oversee the work of any independent credit reviewer and any independent fiscal reviewer that may be employed by the association.
- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor, independent credit review and or independent fiscal reviewer regarding financial reporting.
- Pre-approve all auditing, independent credit reviewer, and non-audit services.
- As necessary, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, internal auditors, external auditors, independent credit reviewer, or outside counsel, as necessary.

COMPOSITION

The audit committee will consist of all members of the board of directors. The board will appoint committee members and the committee chair.

All audit committee members should be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure, or accounting procedures.

Each audit committee member must be free from any relationship that, in the opinion of the board, would interfere with the exercise of independent judgment as a committee member.

Each committee member will be independent from management and be knowledgeable of and understand the Association's financial statements, whereas hereby defined as balance sheets, income statements, cash flow statements, statements of change in members' equity, and notes/disclosures. Each Committee member will devote sufficient time to fulfill committee responsibilities. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation. At least one member will be a director-elected-director.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The audit committee will convene separately from the board, with a separate agenda and separate meeting minutes than the regular scheduled board meetings. All committee members are expected to attend each meeting. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meetings agendas will be prepared and provided in advance to members. Minutes will be prepared and retained for at least three years.

RESPONSIBILITIES

The committee will carry out the following activities. These responsibilities will be accomplished through the assistance of the internal and external auditors and appropriate Association management.

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the internal or external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions by the Audit Committee on the scope of the external auditor's activities and/or access to requested information, as well as any significant disagreement with management.
- Review the quarterly and annual financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the quarterly and annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal control

- Each audit committee must oversee the institution's system of internal controls relating to preparation of financial reports, including controls relating to the institution's compliance with applicable laws and regulations. Any internal audit functions of the institution must also be subject to audit committee review and supervision.
- Review the results of all testing of internal controls performed to comply with SOX 404 requirements.
- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review the quarterly allowance for loan loss and provision to ensure adequacy and approve changes proposed by management.
- Obtain acknowledgement from management that Plains Land Bank, FLCA complies with Plains Standards of Conduct and Code of Ethics.

Internal Audit

- Review with management the charter, plans, activities, staffing and organizational structure of the internal audit function.
- Ensure there are not unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review and approve an annual risk assessment and three-year audit plan developed by management.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- Review and concur with management's responses to address all audit recommendations and follow up on any corrective actions.
- At least annually, meet separately with the chief audit executive (as well as any other member of senior management deemed appropriate by the committee) individually to discuss any matters that the committee believes should be discussed in executive session.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the

company, including non-audit services, and discussing the relationships with the auditors.

- Review and concur with management's responses to address all audit recommendations and follow up on any corrective actions.
- At least annually, meet separately with the external auditor to discuss any matters that the committee or external auditor believes should be discussed in executive session.

Credit and Collateral Review Function

- Determine the selections, and direct the retention, of outside third party review firms in order to evaluate the effectiveness of the association's credit and collateral function.
- In consultation with the firm selected for the engagement, determine the scope and timing of the review.
- Upon the conclusion of the review, meet separately from association management with the outside review firm to 1) Discuss any matters that the committee or review firm believe necessary, 2) present the findings of the review, and 3) to confirm there were no restrictions, or limitations, or barriers imposed upon the firm by management during the review.
- Review and concur with management's responses to address all audit recommendations and follow up on any corrective actions.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Receive anonymous complaints (whistle blower complaints). Provide a mechanism for employees to report valid complaints regarding questionable accounting practices, internal accounting control weakness, or fraud and not fear reprisal from the employer.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.

- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- At least annually, conduct a self-evaluation of committee performance.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.