



AUDIT COMMITTEE CHARTER

I. PURPOSE

The purpose of the Audit Committee of the Board of Directors of Summit State Bank is to (A) assist Board oversight of (a) the integrity of the Bank's financial statements, (b) the Bank's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence, and (d) the performance of the Bank's internal audit function and independent auditors, and (B) prepare the report that the rules of the Federal Deposit Insurance Corporation ("FDIC") require be included in the Bank's annual proxy statement.

II. RESPONSIBILITIES OF AUDIT COMMITTEE

General Responsibilities

The Audit Committee has the specific responsibilities and authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which rule is summarized below:

- i. *responsibilities relating to registered public accounting firms.* The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for preparing or issuing an audit report or performing other audit, review or attest services for the Bank, and each such registered public accounting firm must report directly to the Audit Committee;
- ii. *complaints.* The Audit Committee must establish procedures for:
 - a. the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters.
- iii. *authority to engage advisers.* The Audit Committee has the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
- iv. *funding.* The Audit Committee has the authority to expend appropriate corporate funds, as determined by the Audit Committee, for payment of:
 1. compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank;
 2. compensation to any advisers employed by the Audit Committee under this Charter; and
 3. ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties, all as described in more detail in the provisions of this Charter.

The Board of Directors recognizes that the Bank's management is responsible for preparing the Bank's financial statements and providing an appropriate system of internal controls and that independent auditors are responsible for auditing the financial statements and reviewing the Bank's internal controls. In fulfilling these responsibilities, the independent auditors are ultimately accountable to the Audit Committee and management is ultimately accountable to the Audit Committee and the Board of Directors.

Nothing in this Charter should be construed to imply that the Audit Committee is required to provide or does provide any assurance or certification as to the Bank's financial statements or systems of internal controls, or as to its compliance with laws, rules or regulations.

In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, internal and independent auditors, employees and others regarding the quality of the financial statements and the system of internal controls.

Specific Responsibilities

The specific duties of the Audit Committee shall be as follows:

Independent Auditors

1. Appoint independent auditors, subject, if appropriate, to shareholder, and review and evaluate their performance throughout the year. The ratification evaluation should include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the audit committee should take into account the opinions of management and the Bank's internal auditors or other personnel responsible for the internal audit function.
2. Replace independent auditors where the Committee deems it appropriate.
3. Review and approve fee arrangements for independent auditors.
4. Ensure the auditor's independence by:
 - i. requiring that the auditors annually submit to the Audit Committee a formal written statement delineating all relationships between the auditors and the Bank;
 - ii. actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact their objectivity and independence, including the matters required by Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees (as it may be modified or supplemented);
 - iii. reviewing any relationships between the auditors and the Bank, or any other relationship, that may adversely affect the auditors' independence;
 - iv. reviewing and approving any management consulting engagements or any other non-audit services proposed to be undertaken by such auditors on behalf of the Bank; and
 - v. setting clear policies defining the circumstances under which the Bank is permitted to hire former employees of the independent auditors.
5. Annually require the auditors to confirm in writing their understanding of the fact that they are ultimately accountable to the Audit Committee.

6. Annually review the auditors' proposed audit plan and approach, as well as staffing and timing of the audit and related matters.
7. Review, at least annually, the auditor's report on its internal quality controls and any material issues and the steps taken and to be taken to deal with issues raised by the independent auditor's internal quality review, peer review, or inquiry by governmental or professional organizations, at any time within the past five years.
8. Obtain from management, review and approve a description of issues and responses whenever a second opinion is proposed by management to be sought from another outside accountant.
9. Require the auditors to rotate every five years the lead or coordinating audit partner in charge of the Bank's audit and the audit partner responsible for reviewing the audit.
10. Periodically consider the advisability of rotating the independent audit firm to be selected as the Bank's independent auditors. The audit committee should present its conclusions with respect to the independent auditor to the full board.

Financial Statements

11. Review:

- i. major issues regarding accounting principles and financial statement presentations;
- ii. any significant changes in the Bank's selection or application of accounting principles;
- iii. any major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
- iv. analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- v. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank;
- vi. the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" or other non-GAAP, information); and
- vii. any financial information and earnings guidance provided to rating agencies or otherwise publicly disclosed on a non-selective basis.

12. Require the Bank's auditors to timely report to the Committee:

- i. all critical accounting policies and practices to be used;
- ii. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm; and
- iii. other material written communications between the registered public accounting firm and the management of the issuer, such as any management letter or schedule of unadjusted differences.

13. Conduct with the independent auditors a post-audit, pre-issuance review of the Bank's annual financial statements, the auditor's opinion thereon, and any problems, difficulties or disagreements

with management encountered by the auditors during the course of the audit, and management's response, including reviewing with the auditor:

- i. any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management;
- ii. any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise);
- iii. any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement;
- iv. any "management" or "internal control" letter issued, or proposed to be issued, by the auditor to the Bank; and
- v. the responsibilities, budget and staffing of the Bank's internal audit function.

14. Discuss the quarterly and annual financial statements with the appropriate officers and/or employees of the Bank and with the independent auditors, including the Bank's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
15. Discuss with the auditors the matters required to be discussed by relevant auditing standards, including the quality, and not just the acceptability, of the accounting principles and underlying estimates used in the statements.
16. Discuss with management any disclosure regarding the Bank's critical accounting policies proposed to be included in the Bank's filings with the FDIC.
17. If the Committee finds the annual financial statements acceptable, to recommend to the Board of Directors that they be included in the Bank's annual report on Form 10-K.
18. Prepare a report to the shareholders of the Bank in each proxy statement, as required by the rules of the FDIC.
19. Review and discuss with the Bank's financial management and the independent auditors the quarterly earnings releases (paying particular attention to any use of "pro forma," or "adjusted" or other non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
20. Review the schedule of unrecorded adjustments to the Bank's financial statements and the reasons underlying the Bank's assessment of the immateriality of such adjustments.
21. Review prior to publication or filing and approve such other Bank financial information, including appropriate regulatory filings and releases that include financial information, as the Committee deems desirable.

Internal Accounting and Control Functions

22. Review the adequacy of the Bank's system of internal accounting and financial control, including its "disclosure controls and procedures" and "internal control over financial reporting," as defined in FDIC Rules 13a-15(e) and 13a-15(f) under the Securities Exchange Act of 1934, and the Chief Executive Officer's and Chief Financial Officer's proposed disclosures and certifications with respect to these matters which are required to be included in the Bank's Annual and Quarterly Reports to the FDIC on Form 10-K and Form 10-Q.

23. Annually review the quality of internal accounting and financial control, the auditor's report or opinion thereon and any recommendations the auditor may have for improving or changing the Bank's internal controls, as well as management's letter in response thereto and any other matters required to be discussed under Statement of Auditing Standards No. 61 (as it may be modified or supplemented).
24. Review management's proposed annual report on internal control over financial reporting and the report of the Bank's auditors which are required to be included in the Bank's 10-K pursuant to rules of the FDIC.
25. Discuss policies with respect to the Bank's risk assessment and risk management, and review the Bank's major financial risk exposures and the steps management has taken and proposes to take to monitor and control such exposures.
26. Recommend to the Board of Directors for appointment and evaluate, in consultation with executive management, the Bank's internal auditor.
27. Review and approve the budgets and staffing for the internal auditor.
28. Annually review the results of the internal auditor's reviews and audits.
29. Review compliance with the Bank's corporate code of business conduct.
30. Review for approval all related party transactions for potential conflict of interest situations. The term "related party transaction" shall refer to transactions required to be disclosed pursuant to FDIC Regulation S-K, Item 404.
31. Review proposed future internal audit plans.

III. Reporting Responsibilities

32. Regularly report its activities, concerns, conclusions and recommendations to the Board of Directors, reviewing with the Board any issues that arise with respect to the quality or integrity of the Bank's financial statements, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent auditors, or the performance of the internal audit function.

IV. Authority of Committee

33. The Audit Committee and each of its members may communicate directly and/or privately with the Bank's directors, officers, employees, consultants, agents, internal auditors, independent auditors, attorneys-in-fact, counsel and advisors, and any and all third parties, and require the full cooperation of all such persons, in the performance of the Committee's functions.
34. The Committee may cause an investigation to be made into any matter within the scope of its responsibilities under this Charter as the Committee deems necessary, or as otherwise authorized, requested or directed by the Board or Directors. The Committee may require Bank personnel to assist in any such investigation, and may engage independent resources to assist in such investigations as it deems necessary.
35. The Chair of the Audit Committee, with the prior approval of the Audit Committee, is authorized and empowered to expend corporate funds to retain and secure independent auditors for the Bank and

such consultants, advisors, attorneys, investigatory services or other expert advice and assistance, and to fund ordinary administrative expenses of the Audit Committee, as the Audit Committee deems to be necessary or appropriate to carry out its duties under this Charter, including the authority and power to sign, execute and deliver any and all such checks, drafts, vouchers, receipts, notes, documents, contracts and any other instruments whatsoever as the Audit Committee shall deem appropriate, in the name and on behalf of the Bank.

V. Committee Membership

36. The membership of the Audit Committee shall consist of three or more directors each of whom shall:

- (i) have been appointed by the Board of Directors; and
- (ii) have been determined by the Board of Directors to fulfill the requirements for membership on the Committee as provided in the federal securities laws, the rules of the FDIC thereunder and the rules of NASDAQ, as such provisions may be amended from time to time.

37. At least one member of the Audit Committee shall have:

- (i) an understanding of generally accepted accounting principles and financial statements;
- (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) an understanding of internal control over financial reporting; and
- (v) an understanding of audit committee functions; and shall have acquired such attributes through:
- (vi) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (vii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (viii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (ix) other relevant experience.

38. No member of the Audit Committee, including the Chair, may simultaneously serve on the audit committee of more than two other corporations besides the Bank, unless the Board of Directors determines that such simultaneous service would not impair the director's ability to effectively serve on the Bank's Audit Committee and such determination is disclosed in the Bank's proxy statements relating to its annual meetings of shareholders.

39. The Board of Directors reserves all authority permitted under the rules of the FDIC and the relevant listing authority in connection with any matter referred to in this Charter, including but not limited to the determination of independence of Audit Committee members.

VI. MEETINGS

40. The Audit Committee shall meet as often as necessary to fulfill its functions as determined by the Committee, but no less than four times annually.
41. At least quarterly, if the Committee deems appropriate, the Committee shall hold separate, private meetings without other members of management present, with each of the Bank's Chief Financial Officer, counsel, controller, internal auditor, and the Bank's independent auditor; and, each such person shall have free and direct access to the Committee and any of its members.
42. Prior to the beginning of each fiscal year, the Chair, if the Committee deems appropriate, shall draft a proposed schedule of the Committee's activities for the coming year, and the times at which such activities shall occur, including preliminary agendas for each proposed meeting of the Committee, which shall be submitted to the Committee for its review and approval, with such changes as the Committee shall determine to be appropriate.

VII. COMPLAINTS

43. All complaints received by the Committee relating to accounting, internal accounting controls or auditing matters shall be retained and reviewed by the Committee. Upon receipt of a complaint, the Chair of the Committee shall assign the complaint to any one or more members of the Committee (including the Chair) for preliminary review, and may authorize the use or engagement of such counsel, accountants, investigators or other assistance as the Committee shall determine to be appropriate under the circumstances.
44. Management shall retain the original of all such complaints until further notice by the Committee.
45. At least annually, management shall ensure that each employee of the Bank is advised in writing (including by any form of electronic transmission which provides the employee the ability to reproduce a written copy of such transmission) that he or she may submit, on a confidential and anonymous basis, complaints regarding accounting, internal accounting controls, or auditing matters and concerns regarding questionable accounting or auditing matters. The advice shall include the name and business address of the Chair of the Committee and shall inform employees that they should direct their complaints to the Chair, in writing, at such address.

VIII. Annual Performance Evaluation of the Committee

46. The Committee may, if it deems necessary, conduct an annual self-evaluation of its performance focusing on the quality of the Committee's review of:
- (i) major issues regarding accounting principles and financial statement presentations;
 - (ii) any significant changes in the Bank's selection or application of accounting principles;
 - (iii) any major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
 - (iv) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
 - (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank;
 - (vi) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information); and
 - (vii) any financial information and earnings guidance provided to analysts and rating agencies.

IX. General

47. Annually review this Audit Committee Charter, and any provisions of the Bank's by-laws which refer to the Audit Committee, and propose to the Board of Directors necessary or appropriate revisions.