

**CALIFORNIA BANK OF COMMERCE**  
**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee is appointed by the Board of Directors (“Board”) to assist the Board in monitoring (1) the integrity of the financial reporting systems of the California Bank of Commerce (“Bank”), (2) the qualifications and independence of the independent audit firm, (3) the performance of the independent auditor and Bank’s internal audit function, (4) the Bank’s compliance with accounting and audit standards and (5) the Bank’s compliance with legal and regulatory requirements.

The Committee also has responsibility for creating, implementing and policing a system of internal control. This workload will demand delegation to management and non-management employees, with the Committee retaining oversight and approval.

Internal control comprises the plan of organization and all coordinate methods and measures adopted within the Bank to safeguard its assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The Institute of Certified Public Accountants has subdivided this broad definition of internal control into two components which may be characterized as Administrative Control and Accounting Control.

Administrative control includes, but is not limited to, the plan of organization and the procedures and records concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

Accounting control comprises the plan of organization and the procedures and records concerned with the safeguarding of assets and the reliability of financial records. Consequently, it is designed to provide reasonable assurance that transactions are executed in accordance with the board’s general or specific authorization; transactions are recorded as necessary to maintain accountability of assets and to permit preparation of financial statements in conformity with generally accepted accounting principles (or any other appropriate criteria applicable to such statements); access to assets is permitted only in accordance with prescribed authorization; assets are properly reconciled, and appropriate action is taken with respect to any difference.

The Audit Committee works through the Bank’s internal and external auditors and compliance personnel to closely monitor the Bank’s system of internal control.

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It has sole authority to (1) appoint, compensate, and oversee the work of the public accounting firm employed by the Bank to conduct the annual audit, (2) resolve any disagreements between management and the auditor regarding financial reporting, (3) approve all auditing and permitted non-audit services performed by the company’s external audit firm and (4) retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation. Pre-approval of all auditing and permitted non-audit

services is delegated to the Audit Committee Chairman or designate. If circumstances deem it necessary, the retention of independent counsel or accountants is delegated to the Audit Committee Chairman.

The Audit Committee will establish and follow procedures for the receipt and handling of complaints received from customers, shareholders, employees, and other individuals regarding accounting, internal accounting control and auditing matters.

The Audit Committee shall be composed of solely outside directors.