

Audit Committee Charter
Adopted: July 17, 2006

Authorization of the Audit Committee

The Board of Directors (the "Board") of Community National Bank of the Lakeway Area (the "Bank") has established the Audit Committee (the "Committee") of the Board to oversee the Bank's accounting and financial reporting processes and the audits of its financial statements. The Committee will carry out the duties and responsibilities assigned to the Committee under applicable securities laws and the rules and regulations of any national securities exchange on which the Bank's common stock is listed (the "Applicable Exchange") and further assist the Board in monitoring (1) the integrity of the financial statements of the Bank, (2) the Bank's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Bank's internal audit function and the independent auditors. The Audit Committee's performance and composition shall at all times be subject to, and in compliance with, Section 10A of the Securities Exchange Act of 1934.

Members of the Audit Committee

The Committee shall consist of at least three directors, each of whom shall satisfy the criteria for independence set forth under Rule 10A-3(b)(1) under the Sarbanes-Oxley Act of 2002 (the "Act") and Rule 4200(a)(15) promulgated by the Nasdaq Stock Market (or the equivalent rule promulgated by any Applicable Exchange). Each member shall have the ability to read and understand fundamental financial statements, including the balance sheet, income statement and statement of cash flows. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in his or her financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. No Committee member may have participated in the preparation of the financial statements of the Bank or any current subsidiary during the three years prior to his or her appointment to the Committee.

Notwithstanding the foregoing, in exceptional and limited circumstances, one director who (i) is not independent within the meaning of the Nasdaq Stock Market or other Applicable Exchange rules, (ii) meets the criteria set forth in Section 301 of the Act, (iii) is not a current officer or employee of the Bank, (iv) is not related by blood, marriage or adoption to an officer or employee of the Bank, and (v) does not reside with an officer or employee of the Bank, may be appointed to the Audit Committee if the Board determines that membership is required by the best interests of the Bank and its shareholders. A member appointed under this exception may not serve longer than two years and may not chair the Audit Committee. The Board must make any affirmative determinations concerning the issue of independence of any director required under the rules and regulations of the Applicable Exchange.

Responsibilities

Scope of Responsibility

The Audit Committee shall be directly responsible for the appointment and dismissal, compensation, and oversight of the Bank's independent auditors, and may not delegate any of such responsibilities to others. The Audit Committee shall assist the Board in its oversight of (1) the integrity of the Bank's financial statements, (2) the Bank's compliance with legal and regulatory requirements, (3) the independent auditors' qualifications and independence, and (4) the performance of the Bank's internal audit function and the Bank's independent auditors. The Audit Committee shall also prepare the report of the Audit Committee to be included in the Bank's annual proxy statement.

The Audit Committee shall assist the Board in fulfilling its oversight responsibilities by (1) reviewing the Bank's financial information that will be provided to its shareholders and to analysts, (2) working with management to establish, subject to the approval of the Board, the systems of internal controls, (3) reviewing the systems of internal controls and reports of variance from those controls, (4) reviewing all audit processes and results of internal audits, and (5) reviewing the Bank's accounting, reporting and financial practices.

The Audit Committee does not prepare financial statements on behalf of the Bank or perform the Bank's audits, and its members are not the Bank's auditors and do not certify the Bank's financial statements. These functions are performed by the Bank's management and independent auditors.

In addition to the matters set forth herein, the Audit Committee shall perform such other functions as are required by law, the Bank's Articles of Incorporation or Bylaws, or the Board.

Responsibilities and Duties

The Audit Committee:

- shall meet at least once every quarter in regular session, or more frequently as circumstances dictate;
- shall meet with the Chief Financial Officer in executive session at least once every quarter to review the accounts of the Bank;
- shall meet with the Internal Audit in executive session at least once every quarter;
- shall meet with the independent auditors in executive session at least once every quarter;
- shall recommend to the Board whether the audited financial statements should be included in the Bank's annual report on Form 10-K or 10-KSB;

- shall prepare the Audit Committee report to be included in the Bank's annual proxy statement;
- may conduct or authorize investigations into any matters within its scope of responsibilities;
- shall review and discuss earnings press releases and financial information and earnings guidance provided to analysts and ratings agencies;
- shall review and discuss with management the policies and guidelines for risk assessment and management;
- shall review and approve all related party transactions;
- may take any other action permitted by applicable laws, rules, and regulations necessary to accomplish any action authorized by this Charter or to further the goals of the Audit Committee as set forth in this Charter; and
- shall report its actions and any applicable funding requirements to the Board.

Assistance from Others

The Audit Committee may retain (and determine the funding for) experts to advise or assist it, including outside counsel, accountants, financial analysts or others, and the Bank shall provide sufficient funding therefor.

Relationships with Independent Auditors

In order to retain independent outside auditors to review the records and accounts of the Bank, the Audit Committee shall:

- have the sole authority to appoint (and dismiss) independent auditors to conduct Bank audits or to perform permissible non-audit services, with the independent auditors ultimately accountable to the Audit Committee with respect to audit and related work and to oversee the performance of services by the independent auditors;
- review the independent auditors' scope and audit plan prior to the commencement of the audit;
- review the scope of the audit and the associated fees to be paid to the independent auditors (for both audit and permissible non-audit work);
- obtain required reports pursuant to Independent Standards Board Standard 1, actively engage in a dialogue with the independent auditors regarding disclosed relationships or services that may affect the objectivity and independence of the auditors, and take,

or recommend that the Board take, appropriate action to oversee the independence of the Bank's auditors.

In its review of the independent auditors, the Audit Committee shall:

- review the qualifications and experience of senior members of the audit team;
- ensure that the independent auditors provide the Audit Committee (for their review) timely reports of (1) all critical accounting policies and practices, (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, effects of using such alternatives, and the treatment preferred by the independent auditing firm, and (3) other material written communications between the independent auditor and management; and
- review the independent auditors' reports on the adequacy of the Bank's internal controls, including computerized information system controls and security.

Prior to the release or filing thereof, the Audit Committee shall review documents containing the Bank's financial statements, including the interim financial reports and filings with the OCC or other regulators. The Audit Committee shall specifically review:

- with the independent auditors and management, their processes for assessment of material misstatements, identification of the notable risk areas, and their response to those risks;
- with the management and the independent auditors, the Bank's annual and quarterly financial statements and related footnotes as well as all of the Bank's securities filings containing financial information about the Bank prior to their filing and release;
- the independent auditors' report on the financial statements;
- with the independent auditors, any additions or changes in auditing or accounting principles suggested by the independent auditors, management, or the internal auditors;
- with the independent auditors, the management letter provided by the independent auditors and the Bank's response;
- the independent auditor's qualitative judgement about the appropriateness, and not just the acceptability, of accounting principles, use of estimates, basis for determining the amounts of estimates, and financial disclosures;
- with the independent auditors, any significant difficulties or disputes with management encountered during the course of the audit or significant changes to the audit plan;

- any material financial or non-financial arrangements of the Bank that do not appear on the financial statements of the Bank and their related risks;
- with management and the independent auditors, the effect of regulatory and accounting initiatives as well as accounting principles and their alternatives that have a significant effect on the Bank's financial statements;
- any transactions or courses of dealing with parties related to the Bank that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, or that are relevant to an understanding of the Bank's financial statements;
- other communications as required to be communicated by the independent auditors by Statement of Auditing Standards (SAS) 61, as amended by SAS 90 relating to the conduct of the audit; and
- any other matters related to the annual Bank audit, including those matters that are required to be communicated to the Audit Committee under applicable law and generally accepted auditing standards.

Approval of Services Provided by Independent Auditors

The Audit Committee shall approve any audit services and any permissible non-audit services prior to the commencement of the services as set forth in the Act. In making its pre-approval determination, the Audit Committee shall consider whether providing the non-audit services are compatible with maintaining the auditors' independence. If this pre-approval is delegated to an independent Audit Committee member or members, such member or members shall present a report of his or her decisions at the next scheduled Audit Committee meeting.

Relationships with the Internal Audit Function

The Audit Committee shall:

- be solely and directly responsible for the appointment, replacement, reassignment, or dismissal of the Bank's internal auditors and shall ensure that others may not terminate an internal auditor without the Audit Committee's consent;
- confirm the independence of the individual or firm responsible for the Bank's internal audit function;
- establish procedures to assess the effectiveness and performance of the internal auditors;
- take steps that are, in the sole judgment of the Audit Committee, reasonable or necessary to ensure that the internal auditors are independent and the compensation

and benefits allocated to the internal auditors are not subject to review or termination without the consent of the Audit Committee.

The Audit Committee shall consider and review with management and the Internal Auditor:

- the Bank's process for the internal control structure and procedures for financial reporting;
- the results of internal audits, management recommendation letters, reports of variance from the Bank's internal controls, and report of the internal auditors;
- significant findings during the year and management's responses to them;
- significant difficulties encountered during the course of their audits, including any restrictions on the scope of their work or access to required information;
- changes required in the planned scope of their audit plan; and
- the internal auditing department's compliance with applicable professional standards and practices.

Oversight of Corporate Compliance Function

The Audit Committee shall:

- discuss significant risk exposures periodically with the independent auditors, management, and internal audit officers;
- review the steps and programs that management and the internal auditors have taken to identify, monitor, control and report such exposures;
- establish procedures whereby employees can confidentially and anonymously submit to the Audit Committee concerns or issues regarding the Bank's accounting or auditing matters;
- establish procedures for the receipt, retention, and treatment of complaints regarding accounting or auditing matters, including their controls;
- discuss with the independent auditors whether they believe or have any reason to believe that an illegal act has occurred, regardless of whether they believe it will materially affect the Bank's financial statements;
- review any transactions with related parties and the procedures used to identify related parties;

- periodically require management, the Internal Auditor, and the independent auditors to review and report and comment on significant Bank risks or exposures and actions to minimize such risks or exposures;
- discuss periodically with management and evaluate the effectiveness of the program that management establishes to monitor compliance with the Bank's Code of Ethics and laws and regulations;
- review management recommendations to the Board for changes that reflect changes in law or policy;
- review with the Bank's outside legal counsel any legal matters that may materially affect the Bank; and
- consider any emerging issues that the Audit Committee should become involved with in the future.

Audit Committee Formalities and Charter

The Audit Committee shall:

- review and reassess annually the adequacy of this Audit Committee Charter and recommend any changes to the Board;
- report periodically to the Board on the Audit Committee's activities and findings, including any issues regarding 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 auditors;
- keep appropriate minutes, with the advice of counsel to the extent necessary; and
- review its performance at least annually and may retain counsel, accountants or other consultants to assist in such review.

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