

# **CHITTENDEN CORPORATION AUDIT COMMITTEE CHARTER**

## **I. PURPOSE**

The Audit Committee is appointed by the Board of Directors to assist the Board in the oversight of:

- the integrity of the Corporation's financial statements;
- the Corporation's compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence; and
- the performance of the Corporation's internal audit function and independent auditors.

## **II. AUTHORITY**

The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the work of the independent auditor. Oversight includes the resolution of disagreements between management and the independent auditor regarding financial reporting which involves any independent auditor report or related work.

The Audit Committee shall have full authority to:

- conduct or authorize any investigation appropriate to fulfill its responsibilities;
- engage independent counsel and other advisors as the Committee deems necessary to carry out their responsibilities; and
- have direct access to independent auditors and employees of the Company.

The Committee shall determine, in its sole discretion, the level of funding to compensate the independent auditor and any counsel or advisor employed by the Committee. The Corporation shall be obligated to make such funding available.

## **III. SPECIFIC DUTIES AND RESPONSIBILITIES**

The Board of Directors set forth the Audit Committee's duties in this charter and by resolution. Accordingly, the Audit Committee shall have the following responsibilities and duties.

### **Financial Statements and Reporting**

- Review the Corporation's audited financial statements and unaudited quarterly financial statements prior to their filing or distribution. Review shall include discussion with management and the independent auditors on significant issues regarding accounting principles, practices and judgments and the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- Discuss earnings press releases, financial information and earnings guidance provided to analysts and rating agencies.
- Review with management and the independent auditor financial statements and other reports of a

financial nature. Discuss with the independent auditor its views or judgments on the integrity of the information. Resolve any disputes between management and the independent auditor concerning the preparation of the statements and reports.

- Review with management and the independent auditor all matters required to be communicated and discussed with the Committee under generally accepted auditing standards and the Securities Exchange Commission (“SEC”) and the New York Stock Exchange (“NYSE”) requirements.
- In connection with the quarterly certifications signed by the Chief Executive Officer and the Chief Financial Officer for periodic reports filed by the Corporation with the SEC, discuss significant deficiencies, if any, in the design or operation of the internal control system and any fraud or potential fraud, if any, involving management or employees concerning any internal control function.
- Review and approve internal control reports as required.
- Prepare the Audit Committee report required by the SEC to be included in the Company’s annual proxy statement.

#### **Relationship with Independent Auditors**

- Appoint, compensate and oversee independent auditor work for the Corporation regarding the preparation and issuance of any audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Review with the independent auditor the proposed scope of services and plan for the annual audit.
- Preapprove all audit and nonaudit (as permitted by law or regulation) services performed by the independent auditor. Ensure that the Corporation properly discloses the retention of these services. (The Committee may delegate pre-approval authority for nonaudit services to one or more members of the Committee, provided that the Committee reviews any delegated decisions at its next scheduled meeting.)
- Review any non-audit services performed on behalf of the Corporation by the independent auditor that meet the de minimis exception under applicable law.
- Review any material written communications between the management of the Corporation and the independent auditor.
- Evaluate the performance of the independent auditor. Make inquiries to determine that directors, management or employees of the Corporation exerted no improper influence on the conduct of the audit.
- Review proposed replacement of the independent auditor and terminate the engagement of any independent auditor, as the Committee deems appropriate.
- Evaluate the independent auditor’s qualifications, performance and independence. As part of such evaluation, at least annually, obtain and review a report provided by the independent auditor describing:
  - (a) its internal quality control procedures;
  - (b) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within

the preceding five years, regarding any of the firm's audits, and steps taken to deal with any such issues; and

- (c) all relationships between the independent auditor and the company.
- Ensure appropriate audit partner rotations and any independent auditor rotations that may be required by law.

#### **Internal Audit**

- The Chief Auditor shall report directly to the Audit Committee and administratively to the Chief Financial Officer.
- Review the appointment and replacement of the Chief Auditor.
- Review and approve the annual internal audit plan, staffing and budget.
- Review the significant reports to management prepared by the Internal Audit Department and management's responses.
- Review the performance and remuneration of the Chief Auditor annually.

#### **Compliance with Laws and Regulations**

- Review periodic reports prepared by the Corporate Compliance Officer and other materials deemed appropriate to evaluate the Corporation's program for complying with laws and regulations.

#### **Other**

- Establish procedures to receive, retain and treat complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss major policies with respect to risk assessment and management.
- Perform any other activities consistent with this charter, the Corporation's bylaws and governing laws, as the Committee or Board deems necessary.

#### **Administrative**

- Review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.
- Maintain minutes of Committee meetings and report activities to the Board on a regular basis, making recommendations, as the Committee deems appropriate.
- Evaluate the performance of the Committee annually.

#### **IV. MEMBERSHIP AND COMPOSITION**

- The Committee will have a minimum of 3 members and be comprised entirely of outside Directors who are independent of management.

- The Committee shall meet the independence and experience requirements of the NYSE, SEC and the bank regulatory authorities.
- At least one member will qualify as a “financial expert” as defined by the SEC.
- Committee members will serve Chittenden Corporation and its subsidiaries.

## **V. MEETINGS**

- The Committee will meet at least four times a year. The Committee has the right to call additional meetings as necessary to perform their duties.
- The Committee shall meet in executive sessions periodically with management, the independent auditor and internal audit. At a minimum, the Committee will meet in executive sessions annually.

## **VI. DISCLOSURE OF CHARTER**

This Charter will be made available on the Company’s web site at [www.chittendencorp.com/profile/](http://www.chittendencorp.com/profile/).