

# **RGC RESOURCES, INC.**

## **Audit Committee Charter Amended and Restated**

**November 17, 2010**

The purpose of the Audit Committee (the “Committee”) is to represent and assist the Board of Directors in the corporate governance and general oversight of the Corporation’s accounting and financial reporting processes, the Corporation’s internal control over financial reporting, and the external audits of the Corporation’s consolidated financial statements including any external audits of its internal control over financial reporting. The Committee reports to the full Board of Directors on all matters within the Committee’s responsibilities. The Committee will not infringe upon and does not undertake to supervise or control activities and functions properly belonging to the senior management of the Corporation in the normal course of operations of the Corporation. Management is responsible for the Company’s internal controls and financial reporting process.

The Committee shall be composed of no fewer than three directors determined by the Board of Directors to meet the independence and financial literacy requirements of The NASDAQ Stock Market, Inc. and applicable federal law. Appointment of the Committee, including the designation of the Chairperson of the Committee, if any, and the designation of any Committee members as “audit committee financial experts”, shall be made on an annual basis by the Board of Directors. The Committee shall review and reassess the adequacy of its charter periodically, as deemed necessary.

The independent auditors shall be ultimately accountable to the Committee on all matters pertaining to their engagement, and the independent auditors shall report to the Committee all communications required by professional standards and the Rules and Regulations of the Securities and Exchange Commission (“SEC”). The Committee shall encourage open communication among the Committee, independent auditors, the Corporation’s management and the Board of Directors, regarding matters within the Committee’s responsibilities.

To carry out the Committee’s responsibilities:

1. The Committee, as the Board of Directors’ representative, has the authority and responsibility to evaluate, appoint, compensate, retain, replace and oversee the independent auditors. The Committee shall require the Corporation’s independent auditors to submit periodically a formal written statement delineating all relationships between the independent auditors and the Corporation, including audit and permitted non-audit services and the fees and any other compensation paid to the independent auditors therefore in accordance with professional standards. The Committee is responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity or independence of the independent auditors, and for taking appropriate action in response to the independent auditors’ report to satisfy itself of their

independence. More specifically, the Chairman of the Committee or the Committee will pre-approve all audit and permitted non-audit services to be performed by the independent auditors prior to commencement of the specified service in accordance with Securities and Exchange Commission requirements regarding auditor independence. In the event the Chairman of the Committee pre-approves such services the action will be ratified by the Committee. The requests for pre-approval are submitted to the Committee by the Chairman of the Board of Directors, President and Chief Executive Officer, the Chief Financial Officer, or a designate of either with a statement as to whether in their view the request is consistent with the Securities and Exchange Commission's rules on auditor independence.

2. The Committee will meet with the independent auditors and the Corporation's senior management to discuss the scope and methodology of the proposed audits for each fiscal year. The independent auditors shall provide regular communications to the Committee during the fiscal year on the underlying process and status of their audits and any findings or preliminary conclusions that have been reached. Senior management will review with the Committee any audits of and recommendations of auditors relating to the Corporation's employee benefit plans.
3. Senior management and the independent auditors shall discuss with the Committee the Corporation's interim and annual consolidated financial statements and, prior to filing with the Securities and Exchange Commission, drafts of the Corporation's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. During each fiscal year, the independent auditors shall communicate with the Committee their comments and recommendations, if any, which are intended to improve the Corporation's internal control over financial accounting and reporting. In addition, the independent auditors shall communicate in writing to the Committee and management material weaknesses and/or significant deficiencies, if any, in internal control over financial reporting identified during the audits. The Committee will also discuss any material or significant reports of examination issued by federal and state regulatory agencies as well as the Corporations' responses thereto.
4. The independent auditors shall discuss with the Committee matters required to be communicated by applicable professional standards and the Rules and Regulations of the SEC which include, among other things:
  - the independent auditors' responsibilities under professional standards in connection with the audit of the Corporation's consolidated financial statements and if required the effectiveness of internal control over financial reporting;
  - the independent auditors' judgments about the quality, not just the acceptability, of the Company's accounting principles and underlying estimates in the Company's consolidated financial statements;
  - the critical accounting policies and practices used by the Company;

- any alternative treatments within U.S. generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors;
- methods used to account for significant unusual transactions;
- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of these estimates;
- disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements;
- audit adjustments and any uncorrected financial statement misstatements; and
- other material written communications between the independent auditors and management.

The independent auditors shall also provide to the Committee the written communications required by applicable independence standards of the PCAOB and SEC, and the independent auditors shall discuss with the Committee that firm's independence from the Corporation and its management with financial reporting oversight responsibilities.

5. The independent auditors and senior management shall identify to the Committee significant business, financial or legal issues that may significantly impact the Corporation's consolidated financial statements and internal control over financial reporting. During each fiscal year, senior management shall report to the Committee as to all significant litigation, threatened litigation or potential litigation in which the Corporation and its subsidiaries are or may be engaged, as well as the anticipated or potential impact of such litigation, threatened litigation or potential litigation on the Corporation.
6. During each fiscal year, senior management shall review with the Committee the Corporation's monitoring efforts and procedures to ensure compliance with laws and governmental regulations. Senior management shall provide such information to the Committee as is reasonably required to keep the Committee current on changes in accounting standards and securities regulations affecting the Corporation, as well as material developments in the industry generally and the promulgation of regulations materially affecting the industry.

7. Senior management will report as soon as possible to the Committee any material violation of laws or governmental regulations or fraud. The Committee has the authority to investigate any matter brought to its attention within the scope of its duties and to retain independent legal counsel, at its discretion and without permission from the Board of Directors or management.
8. The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
9. The Committee shall hold at least four meetings each fiscal year. The Chairperson of the Committee, if any, has authority to call Committee meetings, to preside at such meetings and to make assignments to Committee members. The Committee will evaluate findings and recommendations of the independent auditors and make recommendations as warranted to the Board of Directors.
10. At every meeting of the Committee where the independent auditors are present, the independent auditors shall be provided an opportunity, for at least a portion of such meeting, to meet with the Committee without members of management present.
11. Senior management shall report all material proposed related party transactions to the Committee.
12. The Corporation shall provide the Committee such support, including payment of ordinary administrative expenses and access to and use of the Corporation's records, physical properties, management, staff, independent auditors, attorneys and consultants, as the Committee deems necessary to discharge its responsibilities.
13. The Committee shall have the authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The Committee shall have sole authority to approve related fees and retention terms for such advisers.