

RGC Resources, Inc.
Audit Committee Charter

Adopted September 22, 2003

I. Purpose

The primary function of the Audit Committee is to provide oversight and serve as a check and balance on a company's financial reporting system. The Audit Committee is to provide an independent review of the Company's financial reporting processes, internal controls, and independent auditors. It also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns while helping to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls and that the outside auditors, through their own review, objectively assess the company's financial reporting practices.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

II. Composition

The Audit Committee shall be comprised of at least three independent directors who meet all the independence criteria set forth from time to time by the Securities and Exchange Commission, and the NASDAQ Stock Market. Independence is primarily determined by two criteria: (1) Audit Committee members are barred from accepting any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof, other than in the member's capacity as a member of the Board of Directors and any board committee; and (2) Audit Committee members may not be an affiliated person of the Company or any subsidiary of the Company apart from his or her capacity as a member of the board and any board committee. An "affiliated person" is defined as a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. Furthermore, "control" is defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

An Audit Committee member may sit on the board of directors of the Company and any affiliate so long as, except for being a director on each such board of directors, the member otherwise meets the independence requirements for each such entity or affiliate, including the receipt of only ordinary-course compensation for serving as a member of the board of directors, Audit Committee, or any other board committee. All Audit Committee members will be required to meet the independence standards for each of the affiliates.

The Audit Committee must identify at least one member who meets the requirements necessary to be designated as the Audit Committee financial expert. In defining a "financial expert" the committee shall consider whether a person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer, or from a position involving the performance or supervision of similar functions (1) an understanding of generally accepted accounting principals and financial statements; and (2) experience in (a) the preparation or auditing of financial statements of generally comparable companies; and (b) the application of such principals in connection with the accounting for estimates, accruals, and reserves; (3) experience with internal accounting controls; and (4) an understanding of Audit Committee functions.

III. Meetings

The Audit Committee shall meet a minimum of four times annually and participation may be in person or by telephone. Meetings are generally held prior to the quarterly earnings release and will normally include the independent auditors. The Audit Committee will make regular reports to the Board of Directors on the committee meetings.

IV. Primary Responsibilities and Duties

The Audit Committee is charged with the responsibility of enhancing the independence of the audit function, thereby furthering the objectivity of financial reporting. Accordingly, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The independent auditor will report directly to the Audit Committee. These oversight responsibilities include the authority to retain the outside auditor, which includes the power to terminate the outside auditor, if necessary. In connection with these oversight responsibilities, the Audit Committee will

have the ultimate authority to recommend an audit firm as well as to approve all audit engagement fees and terms.

The Audit Committee will place reliance on management for information about the company's financial reporting process. Since the Audit Committee is dependent to a degree on the information provided to it by management and internal and outside auditors, it is imperative for the committee to cultivate open and effective channels of information. Company employees may, from time to time, be reticent to report concerns regarding questionable accounting or other matters to management. Therefore, the Audit Committee will receive, retain, and prepare a response to any complaint or concern regarding internal accounting controls or accounting matters. The Audit Committee will receive questions, complaints, or concerns directly from an employee or other party through its confidential mailbox. Issues that are made known to the Audit Committee whether directly or through the mailbox will be handled confidentially.

The Audit Committee will have the necessary resources and the authority to fulfill all of its responsibilities. To perform its role effectively, the Audit Committee has the authority to engage its own outside advisors, including experts in particular areas of accounting, as it determines necessary apart from counsel or advisors hired by management, especially when potential conflicts of interest with management may be present.

The Audit Committee is also charged with the responsibility of insuring that all internal controls and corporate compliance standards support accurate reporting of all financial information. To facilitate this responsibility, the Audit Committee will review, revise, and adopt the documentation outlining internal controls and will make a periodic review of the guidelines and the company's compliance with those procedures. Any concerns with corporate compliance and internal controls will be discussed with the Board of Directors and the independent auditors.

The independent auditors will work for and report to the Audit Committee. The Audit Committee will have open access to the auditors and management at any time and will have the ability to meet with each of them privately.

In addition to the primary responsibilities and duties set forth above, the Audit Committee will be further charged with the responsibility of ensuring that all the duties as set forth in the Audit Committee Guidelines are accurately performed by the Company or the independent auditors and are reviewed by the Audit Committee on a regular basis.

Signatures of Audit Committee Members:

Date

Abney S. Boxley, III

Frank T. Ellett

George W. Logan

Thomas L. Robertson

S. Frank Smith
