

CHARTER OF THE
COMPENSATION COMMITTEE
RGC Resources, Inc. Board of Directors

- I. Purpose: The primary purpose of the Compensation Committee (Committee) is to discharge the Board's responsibilities relating to compensation of the senior executive officers and to report on executive compensation in RGC Resources' annual proxy statement in accordance with applicable rules and regulations.
- II. Committee Members: The Committee shall consist of at least three directors who are independent of management and free from any relationship that, in the opinion of the Board of Directors, as evidenced by its election of such Committee members, would interfere with the exercise of independent judgement as a Committee Member. The President and CEO will be the management liaison to the Committee. The members and the chair of the Committee will be appointed by the Board annually and will serve until removed by the Board or their successors have been duly appointed and qualified.
- III. Committee Meetings: The Committee shall have at least one (1) regularly scheduled meeting but will meet as often as necessary to carry out its responsibilities. Meetings may be called by the Chairman of the Committee and/or the Chief Executive Officer of the Company. The CEO will prepare the agenda and related background information for each meeting, in consultation with the Committee Chairman in advance of distribution to the other Committee members. The Corporate Secretary will maintain one set of all Committee minutes and presentations. All meetings of the Committee shall be held pursuant to the By-laws of the Company with regard to notice and waiver thereof, and written minutes. Reports of meetings of the Committee shall be made to the Board of Directors at its next regularly scheduled meeting following the Committee meeting. A majority of members shall decide any question brought before any meeting of the Committee.
- IV. Duties and Responsibilities: The Committee's basic responsibility is to assure that the senior executives of the Company and its wholly owned subsidiaries are compensated effectively in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practice, and the requirements of the appropriate regulatory bodies. The Committee shall also communicate to shareholders the Company's compensation policies and the reasoning behind such policies as required by the Securities and Exchange Commission. More specifically, the Committee shall be responsible for the following:

- a. Review and approve the Company's compensation philosophy.
 - b. Approve and report to the Board the executive compensation plans and the compensation (including incentive awards) of certain executives.
 - c. Assure that total compensation paid to the Company's principal officers is reasonable.
 - d. Periodically review and approve stock ownership guidelines, including granting or making recommendations to the Board concerning employee stock options.
 - e. Maintain and update on a regular basis a written Committee Charter detailing its duties. The charter must be approved by the Board of Directors in consultation with the Corporate Governance and Nominating Committee.
 - f. Conduct an assessment of the performance of the Chief Executive Officer at least on an annual basis. The CEO's compensation shall also be reviewed on an annual basis. The results of the evaluation will be communicated to the CEO by the Chair of the Compensation Committee. The evaluation should be based on objective criteria, which include the performance of the Company's accomplishment of financial and strategic objectives, and the successful development of management.
 - g. Issue an annual report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's proxy statement.
 - h. Such other duties and responsibilities as may be assigned to the Committee by the Board of Directors of the Company.
- V. Outside Advisors: The Compensation Committee has the authority to request the Board to approve the use of outside consultants for advice on the appropriate compensation of the senior executive officers of the Company if the Committee deems it necessary or appropriate.