

# **WILLAMETTE VALLEY VINEYARDS, INC.**

## **AUDIT COMMITTEE CHARTER**

### **Purpose**

The primary purpose of the Audit Committee (the “Committee”) is to oversee the accounting and financial reporting processes of Willamette Valley Vineyards, Inc. and its affiliated and subsidiary companies, if any (the “Company”) and the internal and external audit processes. The Committee also assists the Board of Directors (the “Board”) of the Company in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to shareholders and others, and the systems of internal control regarding finance, accounting, legal compliance and ethics, which management and the Board have established.

In fulfilling its purpose, it is the responsibility of the Committee to provide an open avenue of communication between the Board, management, the internal audit department and the independent auditors. The Committee is the Board’s principal agent in ensuring the integrity of management and the adequacy of disclosure to shareholders. The opportunity for the independent auditors to meet with the entire Board as needed is not to be restricted, however. The independent auditors are ultimately accountable to the Committee, as representatives of the Company’s shareholders; the Committee has the sole authority to determine funding for, select, evaluate, and, where appropriate, replace the independent auditors. The Committee oversees the independent auditors, including their independence and objectivity.

The Committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The Committee serves a Board-level oversight role in which it provides advice, counsel and direction to management and the Board, independent auditors on the basis of information it receives, discussions with the independent auditors, and the experience of the Committee’s members in business, financial and accounting matters.

### **Composition**

The Committee shall be comprised of at least three (3) members, each of whom shall be a member of the Company’s Board of Directors. Each member shall meet the independence requirements of The Nasdaq Stock Market, Inc., applicable laws, and rules and regulations of the Securities and Exchange Commission. The members of the Committee shall also meet all financial knowledge and experience qualifications required under rules promulgated by The Nasdaq Stock Market, Inc., the Securities and Exchange Commission or other governing body, as may be in effect from time to time. In addition, at least one member of the Committee shall be an “audit committee financial expert” as that term is defined in applicable rules. Members and a Chair of the Committee shall be appointed by the full Board.

### **Authority**

The Committee has the authority to investigate any activity of the Company within its scope of responsibilities and shall have unrestricted access to members of management and all information relevant to its responsibilities. All employees are directed to cooperate as requested

by members of the Committee. The Committee is empowered to retain independent legal counsel and other advisors as it deems necessary or appropriate to assist the Committee in fulfilling its responsibilities, and to approve the fees and other retention terms of such advisors.

## **Meetings**

The Committee shall hold meetings as often as may be necessary or appropriate and will annually hold at least the minimum amount of meetings required by the Nasdaq Stock Market, Inc., and/or applicable laws and regulations of the Securities and Exchange Commission. Meetings may be held telephonically. In lieu of a meeting, the Committee may also act by unanimous written consent. Prior to each meeting, the Chair of the Committee may communicate with the independent auditors to review the agenda and solicit input on any additional topics that should be covered.

## **Attendance**

Members of the Committee are expected to use all reasonable efforts to attend each meeting. As necessary or desirable, the Chair may request that members of management, the internal audit director, and representatives of the independent auditors be present at meetings of the Committee.

## **Minutes**

Minutes of each meeting shall be prepared under the direction of the Chair of the Committee and circulated to Committee members for review and approval and then circulated to the directors who are not members of the Committee. Copies are to be made available to the independent auditors.

## **Specific Duties**

The Committee shall:

1. Enable direct communication between the independent auditors and the Committee at any time. Instruct the independent auditors to report directly to the Committee any serious difficulties or disputes with management, and ensure they are appropriately resolved.
2. Appoint, determine funding and other retention terms for, oversee and, if the Committee determines necessary or appropriate, replace the independent auditors. Take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditors.
3. Ensure the receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1, and actively engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor.

4. Review the scope of the independent auditor's audit examination, including their engagement letter, prior to the annual audit of the Company's consolidated financial statements. Approve in advance the engagement of the independent auditors. Periodically review the independent auditors' fees for all audit and non-audit services. Adopt specific policies and procedures for approval of the auditor's fees, ensuring that such policies and procedures provide sufficient detail so that the Committee's responsibilities are not delegated to management. These policies and procedures may delegate authority to one or more members of the Committee to grant approval, provided that the decision is presented to the Committee at its next scheduled meeting. Review all engagements of the independent auditors at the next scheduled meeting.
5. Review the Company's periodic financial results with management and the independent auditors. Such review should occur at least annually. This review includes:
  - The financial statements and disclosures to be included in the Company's annual financial statements.
  - Significant transactions not a normal part of the Company's operations.
  - Any off-balance sheet arrangements.
  - The Company's critical accounting policies and the disclosure of them as appropriate or otherwise required by applicable law, rules or regulations.
  - Significant management judgments and accounting estimates.
  - Significant changes in the Company's accounting policies or their application, or alternative GAAP treatments discussed with the independent auditor.
  - Adjustments proposed by the independent auditors.
  - The independent auditors' audit opinion and their judgment on the quality of the Company's accounting policies and financial reporting.
6. Review the audit process with management and the independent auditors, upon completion of their annual audit, to evaluate:
  - The cooperation received by the independent auditors, including access to all requested information.
  - Any instances where management has obtained "second opinions" from other external auditors.
  - Any disagreements with management that, if not satisfactorily resolved, would have caused them to modify their report on the financial statements.
  - Management's comments regarding the audit.

7. Review periodically with management and the independent auditors the adequacy of the Company's accounting and financial personnel and any relevant recommendations concerning internal controls, accounting principles and accounting/reporting systems.
8. Review the effect of any important new pronouncements of the accounting profession and other regulatory bodies on the Company's accounting and reporting policies.
9. Review any inquiries related to accounting or financial reporting matters received from the Securities and Exchange Commission or other agencies, and management's response thereto. Ensure that any complaints received by the Company regarding its accounting, internal control or auditing matters are addressed.
10. Review and approve or ratify or refer to a special committee appointed by the Board all significant related party transactions and potential conflict of interest situations.
11. Review with management the Company's Code of Conduct and Ethics to assure that it is kept updated and is appropriate for the Company's business activities; that it applies to all Company directors, officers and employees; and that it provides for an enforcement mechanism. Any amendments or waivers of the Code of Conduct and Ethics must be approved by the Board of Directors, or by the Committee acting on behalf of the Board, and shall be promptly reported publicly in accordance with applicable Securities and Exchange Commission regulations. Review with management the Company's systems to monitor compliance with any of the Company's business or ethics standards, including the Code of Conduct and Ethics, and applicable legal requirements. Establish procedures for the confidential, anonymous submission of complaints and concerns regarding questionable accounting, auditing, internal control, legal or ethical matters, and procedures for their receipt, retention and treatment.
12. Review periodically with management, relevant officers and the Board any legal and regulatory matters that may have a material impact on the Company's financial statements, compliance policies and compliance programs.
13. Review and reassess the adequacy of this Charter annually, or as circumstances dictate, and update as appropriate.
14. Establish a system for reporting of complaints relating to accounting, internal controls, and auditing matters that permits direct, confidential communications between whistleblowers and the Committee.
15. Periodically evaluate and take steps to improve the effectiveness of the Committee in meeting its responsibilities under this Charter.

This Charter is intended to provide a set of flexible guidelines for the effective functioning of the Committee. The Committee may modify or amend this Charter and the authority and responsibilities of the Committee set forth herein at any time.

Updated/Adopted by the Board of Directors January 2010