

HIGHLANDS COMMUNITY BANK

Nominating Committee Charter

Organization. There shall be a committee of the Board of Directors to be known as the nominating committee. The nominating committee shall have at least three members, each of whom shall be deemed “independent” in accordance with the rules of the National Association of Securities Dealers (“NASD”) for determining the independence of directors (subject to any NASD exceptions. Nominating committee members shall be free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as committee members.

Statement of Purpose. The purpose of the nominating committee shall be to assist the Board in identifying individuals qualified to become Directors under criteria approved by the Board, and to see that all necessary and appropriate inquiries are made into the backgrounds of such candidates.

Responsibilities. In carrying out its responsibilities, the nominating committee believes its policies and procedures should remain flexible, in order to best react to changing needs of the corporation. In carrying out these responsibilities, the nominating committee will:

1. Evaluate the suitability of potential nominees for membership on the Board, taking into consideration the Board’s current composition, including expertise, diversity, and balance of inside, outside and independent directors, and considering the general qualifications of the potential nominees, such as:

- (a) Unquestioned integrity and honesty,
- (b) The ability to exercise sound, mature and independent business judgment in the best interests of the shareholders as a whole,
- (c) A background and experience with business, finance, marketing or other fields which will complement the talents of the other Board members,
- (d) Willingness and capability to take the time to actively participate in Board and Committee meetings and related activities,
- (e) Ability to work professionally and effectively with other Board members and Company management,
- (f) Availability to remain on the Board long enough to make an effective contribution, and
- (g) Absence of material relationships with competitors or other third parties that could present realistic possibilities of conflict of interest or legal issues.

2. Recommend to the Board the number and names of proposed nominees for election as Director at the Annual Meeting of Shareholders and, in the case of a vacancy on the Board, the name of an individual proposed to fill the vacancy.

3. Cause the preparation of minutes of all meetings of the nominating committee, and discuss the matters considered at each committee meeting with the full Board of Directors.

4. Review the direct and indirect relationships of members of the Board with the Company or its management and assist the Board with its determination of the independence of its members.

5. Review this Charter at least annually, and make any changes deemed appropriate, subject to review and approval of the full Board of Directors.

6. Oversee the submission and evaluation of unsolicited recommendations for nominees, including appropriate deadlines and the information to be provided with such recommendations.

Authority and Resources. No potential nominee may be contacted before being considered and recommended by the nominating committee. The nominating committee shall have the authority and resources to solicit ideas for director nominees from other members of the Board, management, stockholders and other sources; engage outside search or other consultants if needed to assist in identifying potential director nominees; and determine funding for payment of compensation to any such consultants and ordinary administrative expenses of the nominating committee.