

CORPORATE GOVERNANCE COMMITTEE  
CHARTER

ARTICLE 1  
DUTIES AND RESPONSIBILITIES

**Section 1.1 General Purpose.** The Corporate Governance Committee of Plumas Bancorp (“Bancorp”) and Plumas Bank (“Bank”) shall have the following general duties:

- (a) Oversee the development and periodic review of Corporate Governance Guidelines for the Bancorp;
- (b) Assist the Bancorp’ Board and the Bank Board in identifying individuals qualified to become members of their respective Boards of Directors;
- (c) Recommend to the Bancorp’ Board director nominees for its annual meeting of shareholders;
- (d) Recommend to the Bancorp Board and the Bank Board director nominees for all Board Committees and the Chairpersons for Board Committees;
- (e) Function as the Bancorp Board’s and Bank Board’s Compliance and CRA Committee to ensure that the Company’s risk management program for compliance with consumer protection and community reinvestment requirements is being updated and monitored;
- (f) Recommend to the Bancorp Board and Bank Board evaluation of the job performance of the Chief Executive Officer;
- (g) Provide advice to the Chief Executive Officer in the appointment of other executive officers, with approval by the Board of Directors;
- (h) Recommend to the Bancorp Board and Bank Board any changes to directors and executive officers compensation plans, policies and programs. Such compensation plans, policies and programs shall ensure that competitive compensation is offered to directors and executive officers which also aligns the interests of the directors and executive officers with those of Bancorp’s shareholders;
- (i) Provide advice and final approval to the Chief Executive Officer on plans relating to company compensation (including benefits) strategy and policies to ensure that competitive compensation is offered to employees that also aligns the interests of employees with those of Bancorp’s shareholders;
- (j) Provide advice to the Chief Executive Officer in planning for executive officer management succession, with final approval by the Board of Directors.

**Section 1.2 Reporting to Board; Board Responsibility.** The Corporate Governance Committee shall report regularly to the Bancorp’s Board and Bank’s Board, respectively. The Bancorp’s Board, Bank Board and management shall ensure that the Corporate Governance Committee has adequate resources and authority to discharge its responsibilities.

**Section 1.3 Corporate Governance Guidelines.** The Corporate Governance Committee shall work with the Bancorp’s Board, Bank Board and management in developing Corporate Governance Guidelines. The Corporate Governance Committee shall develop and implement a periodic review process of the Corporate Governance Guidelines to ensure the accountability and effectiveness of the Bancorp’s Board and Bank’s Board, respectively, taking into account changes in the relevant laws and current trends in corporate governance practices.

**Section 1.4 Nominations.**

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**(a) Board Member Nominees.** The Corporate Governance Committee shall, as it deems appropriate, identify and interview individuals qualified to become members of the Bancorp's Board and the Bank's Board, respectively. The Corporate Governance Committee shall have the authority to retain and terminate any consultants and executive search firms for assistance in this process. The Corporate Governance Committee shall, at its discretion, recommend to the Bancorp's Board and the Bank's Board, respectively, any qualified Board member nominees. The Corporate Governance Committee's recommendations shall be subject to the approval of the Bancorp's Board and the Bank's Board, respectively and shall be consistent with the Company's Board of Directors Retirement, Succession and Selection Policy.

**(b) Director Nominees.** The Corporate Governance Committee shall, at least annually, recommend to the Bancorp's Board the director nominees to be included in the proxy statement for Bancorp's annual meeting of shareholders. The Corporate Governance Committee's recommendations shall be subject to the Bancorp Board's approval.

**(c) Committees and Chairpersons.**

- a. After the conclusion of the annual meeting of shareholders, the newly elected Board of Directors as a whole will act as the Corporate Governance Committee to nominate and elect the Chairperson and the Vice-Chairperson of the Bancorp's Board and the Bank's Board, respectively, for the upcoming term.
- b. The Chairperson of the Board of Bancorp and Bank shall then recommend the appointment of members and Chairperson of each Board committee of the Bancorp Board and the Bank Board, respectively. The Chairperson's appointments shall be presented to the Corporate Governance Committee who shall present the nominees for confirmation to Bancorp's Board and the Bank's Board, respectively.

**Section 1.5 Director Compensation.** The Corporate Governance Committee shall, at least annually, review, adjust (as necessary), and recommend to the Bancorp Board and Bank Board directors' compensation, including cash, equity or other compensation for service on the Board, any committee of the Board and as Chairperson of the Board or any committee of the Board.

**Section 1.6 Chief Executive Officer Compensation.** The Corporate Governance Committee shall, working with the Chief Executive Officer ("CEO"), set the CEO's goals not later than January for that calendar year. The Corporate Governance Committee shall be responsible for obtaining information from management and the Board with respect to the performance of the CEO in connection with these goals at the end of each calendar year. The Corporate Governance Committee shall, at least annually, review the CEO's compensation, including annual base salary, annual incentive bonus (including specific goals and amount), equity compensation, employment agreements, severance agreements, change in control agreements/provisions, and any other benefits, compensation or arrangements and make a recommendation to the Board. The Board will adjust (as necessary), and approve the CEO's compensation factors to consider in this compensation review include, but are not limited to, the CEO's performance with respect to the aforementioned goals and market compensation data provided by third parties. Such review and approval of the compensation of the CEO will be made in "executive session" without the presence of the CEO.

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**Section 1.7 Executive Officer Compensation.** The Corporate Governance Committee shall, at least annually, review and advise to the Chief Executive Officer in the adjustment of (as necessary) Bancorp' executive officers' (other than the CEO) compensation, including annual base salary, annual incentive bonus (including specific goals and amount), equity compensation, employment agreements, severance agreements, change in control agreements/provisions, and any other benefits, compensation or arrangements. The final approval of compensation for the executive officers resides with the Chief Executive Officer. Such discussion of the executive officers' (other than the CEO) compensation may be made in the presence of the CEO but shall otherwise be made in "executive session" without the presence of the executive officers.

**Section 1.8 Succession Planning.** The Corporate Governance plans for succession to the position of the Chief Executive Officer. The Committee shall also provide advice to the Chief Executive Officer in planning for other executive officer management succession. To assist in this effort, the Chief Executive Officer shall annually provide the Corporate Governance Committee with an assessment of senior managers and of their potential to succeed the Chief Executive Officer. The Chief Executive Officer shall also provide the independent directors of the Committee with an assessment of persons considered potential successors to certain senior management positions. The Corporate Governance Committee shall annually provide a succession planning report to the Board of Directors for the Board's final approval.

**Section 1.9 Employee Compensation and Benefits Programs.** The Corporate Governance Committee shall, at least annually, review and approve the compensation strategy for Bancorp and Bank employees. This includes providing advice to the Chief Executive Officer regarding the various employee benefit plans, including health plans, qualified benefit programs (such as 401(k) plans or employee stock option plans) and other retirement plans used to implement the compensation strategy to ensure that such plans appropriately align the interests of employees with those of Bancorp's shareholders. The Corporate Governance Committee shall work with management and, if desired, outside consultants, in reviewing the Bank's compensation plans to ensure that they meet the Bank's strategic needs, and are effective in attracting and retaining qualified employees.

**Section 1.10 Stock Options and Stock Grants.** The Corporate Governance Committee shall review and recommend for approval to the Board of Directors, all equity-based compensation, including stock options and stock grants awarded to employees and directors of Bancorp and the Bank.

**Section 1.11 Compensation Consultant.** The Corporate Governance Committee shall have the authority, to the extent it deems necessary, to retain and terminate an outside compensation consultant to assist in the evaluation of director, CEO and other executive officer compensation and benefits matters. The Corporate Governance Committee shall have the authority to approve the compensation consultant's fees and other retention terms. The Corporate Governance Committee shall also have the authority, to the extent it deems necessary, to retain internal or external legal, accounting or other consultants or advisers to advise the Corporate Governance Committee.

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**ARTICLE 2****ORGANIZATION**

**Section 2.1 Membership.** The Corporate Governance Committee will consist of no fewer than three (3) members. All members of the Corporate Governance Committee must be Outside Directors.

An "Outside Director" is any director of Bancorp who is independent as determined in accordance with applicable law, including the rules and regulations of the Securities and Exchange Commission, and the rules of Nasdaq, as applicable except as otherwise permitted by the such rules.

**Section 2.2 Appointment and Term.** The Bancorp's Board and Bank's Board will review and confirm the Chairperson and other members of the Corporate Governance Committee, based on appointment made by the Chairman of the Board subject to the procedures outlined above in Section 1.4 (c), for a term of one year. The Chairperson and other members of the Corporate Governance Committee will serve at the discretion of the Bancorp Board and Bank Board.

**Section 2.3 Duties of Chairperson.** The Chairperson will preside at all meetings of the Corporate Governance Committee and perform any duties as may be assigned by the Bancorp' Board from time to time.

**Section 2.4 Resignation.** Any member of the Corporate Governance Committee may resign, effective upon giving written notice to the Chairperson of the Bancorp' Board unless the notice specifies a later time for the effectiveness of the resignation.

**Section 2.5 Vacancies.** All vacancies on the Corporate Governance Committee, however created, may be filled by the Bancorp' Board, subject to nomination by the Corporate Governance Committee. Each member of the Corporate Governance Committee so appointed will hold office until the expiration of the appointed term and until a successor is appointed and qualified.

**Section 2.6 Regular Meetings.** Regular meetings of the Corporate Governance Committee will be held at least quarterly or a similar schedule as the Corporate Governance Committee determines at the time and place as the Corporate Governance Committee determines. Any change in the time or place of a regularly scheduled meeting will require:

- (a) The consent of a majority of the members of the Corporate Governance Committee; and
- (b) Five days' notice by mail or twenty-four hours' notice received personally, by telephone, electronic mail ("e-mail) or similar transmission.

**Section 2.7 Special Meetings.** Special meetings of the Corporate Governance Committee may be called at any time by the Chairperson of the Corporate Governance Committee, any two voting members of the Corporate Governance Committee, the Chief Executive Officer of Bancorp, or by a majority of the Bancorp' Board. Special meetings may be held upon five days' notice by mail or twenty-four hours' notice received personally, by telephone, e-mail or similar transmission. Notice of special meetings need not be given to any member who:

- (a) Before or after the meeting, signs (i) a waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the subject minutes; or

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(b) Attends the meeting without protesting the lack of notice to such member.

**Section 2.8 Voting.** If the Corporate Governance Committee is comprised of an even number of directors, one-half of the number of members will constitute a quorum for the transaction of business. If the Corporate Governance Committee is comprised of an odd number of directors, a majority of the Corporate Governance Committee members will constitute a quorum for the transaction of business. Every action consented to by a majority of the Corporate Governance Committee members present at a meeting (at which a quorum is present) will be regarded as an act of the Corporate Governance Committee, unless other consent is required pursuant to this Charter, the Articles of Incorporation or Bylaws of Bancorp or applicable law.

**Section 2.9 Minutes.** The Chairperson of the Corporate Governance Committee shall ensure that minutes and other relevant records of the meetings and activities of the Corporate Governance Committee are maintained. The minutes will be available for review by the Corporate Governance Committee members, Bancorp' Board and the Bank Board and any regulatory agency having jurisdiction over the affairs of Bancorp or the Bank. In the event of any meeting in "executive session", the Chairperson will designate an Acting Secretary of the Corporate Governance Committee for the purpose of recording the minutes of actions taken at the meeting or "executive session" thereof.

**Section 2.10 Presence at Meetings.** Members of the Corporate Governance Committee may participate in a meeting through use of conference telephone or similar communication equipment, so long as all members participating in the meetings can hear one another. A telephone poll or electronic communication such as e-mail or other similar transmission may be conducted for the purposes of providing advice or approval to the Chief Executive Officer or other required approvals between regularly scheduled meetings to facilitate Company operations. In such cases, the telephone poll or electronic communication may be conducted where all members participating may not hear one another. Use of these alternate meeting methods when all members cannot hear one another will be on an exception basis. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting. Written records of the results of a telephone poll or electronic communication shall be reported at the next regularly scheduled Corporate Governance Committee meeting by management.

**Section 2.11 Amendments.** This Charter of the Corporate Governance Committee may be amended only by a resolution of the Bancorp' Board.

**Section 2.12 Delegation of Authority.** This Corporate Governance Committee may form and delegate authority to subcommittees when appropriate.

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- (c) Recommend to the Bancorp’ Board director nominees for its annual meeting of shareholders;
- (d) Recommend to the Bancorp Board and the Bank Board director nominees for all Board Committees and the Chairpersons for Board Committees;
- (e) Function as the Bancorp Board’s and Bank Board’s Compliance and CRA Committee to ensure that the Company’s risk management program for compliance with consumer protection and community reinvestment requirements is being updated and monitored;
- (f) Recommend to the Bancorp Board and Bank Board evaluation of the job performance of the Chief Executive Officer;
- (g) Provide advice to the Chief Executive Officer in the appointment of other executive officers, with approval by the Board of Directors;
- (h) Recommend to the Bancorp Board and Bank Board any changes to directors and executive officers compensation plans, policies and programs. Such compensation plans, policies and programs shall ensure that competitive compensation is offered to directors and executive officers which also aligns the interests of the directors and executive officers with those of Bancorp’s shareholders;
- (i) Provide advice and final approval to the Chief Executive Officer on plans relating to company compensation (including benefits) strategy and policies to ensure that competitive compensation is offered to employees that also aligns the interests of employees with those of Bancorp’s shareholders;
- (j) Provide advice to the Chief Executive Officer in planning for executive officer management succession, with final approval by the Board of Directors.

**Section 1.2 Reporting to Board; Board Responsibility.** The Corporate Governance Committee shall report regularly to the Bancorp’s Board and Bank’s Board, respectively. The Bancorp’s Board, Bank Board and management shall ensure that the Corporate Governance Committee has adequate resources and authority to discharge its responsibilities.

**Section 1.3 Corporate Governance Guidelines.** The Corporate Governance Committee shall work with the Bancorp’s Board, Bank Board and management in developing Corporate Governance Guidelines. The Corporate Governance Committee shall develop and implement a periodic review process of the Corporate Governance Guidelines to ensure the accountability and effectiveness of the Bancorp’s Board and Bank’s Board, respectively, taking into account changes in the relevant laws and current trends in corporate governance practices.

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**(b) Director Nominees.** The Corporate Governance Committee shall, at least annually, recommend to the Bancorp's Board the director nominees to be included in the proxy statement for Bancorp's annual meeting of shareholders. The Corporate Governance Committee's recommendations shall be subject to the Bancorp Board's approval.

**(c) Committees and Chairpersons.**

- a. After the conclusion of the annual meeting of shareholders, the newly elected Board of Directors as a whole will act as the Corporate Governance Committee to nominate and elect the Chairperson and the Vice-Chairperson of the Bancorp's Board and the Bank's Board, respectively, for the upcoming term.
- b. The Chairperson of the Board of Bancorp and Bank shall then recommend the appointment of members and Chairperson of each Board committee of the Bancorp Board and the Bank Board, respectively. The Chairperson's appointments shall be presented to the Corporate Governance Committee who shall present the nominees for confirmation to Bancorp's Board and the Bank's Board, respectively.

**Section 1.5 Director Compensation.** The Corporate Governance Committee shall, at least annually, review, adjust (as necessary), and recommend to the Bancorp Board and Bank Board directors' compensation, including cash, equity or other compensation for service on the Board, any committee of the Board and as Chairperson of the Board or any committee of the Board.

**Section 1.6 Chief Executive Officer Compensation.** The Corporate Governance Committee shall, working with the Chief Executive Officer ("CEO"), set the CEO's goals not later than January for that calendar year. The Corporate Governance Committee shall be responsible for obtaining information from management and the Board with respect to the performance of the CEO in connection with these goals at the end of each calendar year. The Corporate Governance Committee shall, at least annually, review the CEO's compensation, including annual base salary, annual incentive bonus (including specific goals and amount), equity compensation, employment agreements, severance agreements, change in control agreements/provisions, and any other benefits, compensation or arrangements and make a recommendation to the Board. The Board will adjust (as necessary), and approve the CEO's compensation factors to consider in this compensation review include, but are not limited to, the CEO's performance with respect to the aforementioned goals and market compensation data provided by third parties. Such review and approval of the compensation of the CEO will be made in "executive session" without the presence of the CEO.

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**Section 1.8 Succession Planning.** The Corporate Governance plans for succession to the position of the Chief Executive Officer. The Committee shall also provide advice to the Chief Executive Officer in planning for other executive officer management succession. To assist in this effort, the Chief Executive Officer shall annually provide the Corporate Governance Committee with an assessment of senior managers and of their potential to succeed the Chief Executive Officer. The Chief Executive Officer shall also provide the independent directors of the Committee with an assessment of persons considered potential successors to certain senior management positions. The Corporate Governance Committee shall annually provide a succession planning report to the Board of Directors for the Board's final approval.

**Section 1.9 Employee Compensation and Benefits Programs.** The Corporate Governance Committee shall, at least annually, review and approve the compensation strategy for Bancorp and Bank employees. This includes providing advice to the Chief Executive Officer regarding the various employee benefit plans, including health plans, qualified benefit programs (such as 401(k) plans or employee stock option plans) and other retirement plans used to implement the compensation strategy to ensure that such plans appropriately align the interests of employees with those of Bancorp's shareholders. The Corporate Governance Committee shall work with management and, if desired, outside consultants, in reviewing the Bank's compensation plans to ensure that they meet the Bank's strategic needs, and are effective in attracting and retaining qualified employees.

**Section 1.10 Stock Options and Stock Grants.** The Corporate Governance Committee shall review and recommend for approval to the Board of Directors, all equity-based compensation, including stock options and stock grants awarded to employees and directors of Bancorp and the Bank.

**Section 1.11 Compensation Consultant.** The Corporate Governance Committee shall have the authority, to the extent it deems necessary, to retain and terminate an outside compensation consultant to assist in the evaluation of director, CEO and other executive officer compensation and benefits matters. The Corporate Governance Committee shall have the authority to approve the compensation consultant's fees and other retention terms. The Corporate Governance Committee shall also have the authority, to the extent it deems necessary, to retain internal or external legal, accounting or other consultants or advisers to advise the Corporate Governance Committee.



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**Section 2.2 Appointment and Term.** The Bancorp's Board and Bank's Board will review and confirm the Chairperson and other members of the Corporate Governance Committee, based on appointment made by the Chairman of the Board subject to the procedures outlined above in Section 1.4 (c), for a term of one year. The Chairperson and other members of the Corporate Governance Committee will serve at the discretion of the Bancorp Board and Bank Board.

**Section 2.3 Duties of Chairperson.** The Chairperson will preside at all meetings of the Corporate Governance Committee and perform any duties as may be assigned by the Bancorp' Board from time to time.

**Section 2.4 Resignation.** Any member of the Corporate Governance Committee may resign, effective upon giving written notice to the Chairperson of the Bancorp' Board unless the notice specifies a later time for the effectiveness of the resignation.

**Section 2.5 Vacancies.** All vacancies on the Corporate Governance Committee, however created, may be filled by the Bancorp' Board, subject to nomination by the Corporate Governance Committee. Each member of the Corporate Governance Committee so appointed will hold office until the expiration of the appointed term and until a successor is appointed and qualified.

**Section 2.6 Regular Meetings.** Regular meetings of the Corporate Governance Committee will be held at least quarterly or a similar schedule as the Corporate Governance Committee determines at the time and place as the Corporate Governance Committee determines. Any change in the time or place of a regularly scheduled meeting will require:

- (a) The consent of a majority of the members of the Corporate Governance Committee; and
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**Section 2.7 Special Meetings.** Special meetings of the Corporate Governance Committee may be called at any time by the Chairperson of the Corporate Governance Committee, any two voting members of the Corporate Governance Committee, the Chief Executive Officer of Bancorp, or by a majority of the Bancorp' Board. Special meetings may be held upon five days' notice by mail or twenty-four hours' notice received personally, by telephone, e-mail or similar transmission. Notice of special meetings need not be given to any member who:

- (a) Before or after the meeting, signs (i) a waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the subject minutes; or

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(b) Attends the meeting without protesting the lack of notice to such member.

**Section 2.8 Voting.** If the Corporate Governance Committee is comprised of an even number of directors, one-half of the number of members will constitute a quorum for the transaction of business. If the Corporate Governance Committee is comprised of an odd number of directors, a majority of the Corporate Governance Committee members will constitute a quorum for the transaction of business. Every action consented to by a majority of the Corporate Governance Committee members present at a meeting (at which a quorum is present) will be regarded as an act of the Corporate Governance Committee, unless other consent is required pursuant to this Charter, the Articles of Incorporation or Bylaws of Bancorp or applicable law.

**Section 2.9 Minutes.** The Chairperson of the Corporate Governance Committee shall ensure that minutes and other relevant records of the meetings and activities of the Corporate Governance Committee are maintained. The minutes will be available for review by the Corporate Governance Committee members, Bancorp' Board and the Bank Board and any regulatory agency having jurisdiction over the affairs of Bancorp or the Bank. In the event of any meeting in "executive session", the Chairperson will designate an Acting Secretary of the Corporate Governance Committee for the purpose of recording the minutes of actions taken at the meeting or "executive session" thereof.

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- (d) Recommend to the Bancorp Board and the Bank Board director nominees for all Board Committees and the Chairpersons for Board Committees;
- (e) Function as the Bancorp Board’s and Bank Board’s Compliance and CRA Committee to ensure that the Company’s risk management program for compliance with consumer protection and community reinvestment requirements is being updated and monitored;
- (f) Recommend to the Bancorp Board and Bank Board evaluation of the job performance of the Chief Executive Officer;
- (g) Provide advice to the Chief Executive Officer in the appointment of other executive officers, with approval by the Board of Directors;
- (h) Recommend to the Bancorp Board and Bank Board any changes to directors and executive officers compensation plans, policies and programs. Such compensation plans, policies and programs shall ensure that competitive compensation is offered to directors and executive officers which also aligns the interests of the directors and executive officers with those of Bancorp’s shareholders;
- (i) Provide advice and final approval to the Chief Executive Officer on plans relating to company compensation (including benefits) strategy and policies to ensure that competitive compensation is offered to employees that also aligns the interests of employees with those of Bancorp’s shareholders;
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**(c) Committees and Chairpersons.**

- a. After the conclusion of the annual meeting of shareholders, the newly elected Board of Directors as a whole will act as the Corporate Governance Committee to nominate and elect the Chairperson and the Vice-Chairperson of the Bancorp's Board and the Bank's Board, respectively, for the upcoming term.
- b. The Chairperson of the Board of Bancorp and Bank shall then recommend the appointment of members and Chairperson of each Board committee of the Bancorp Board and the Bank Board, respectively. The Chairperson's appointments shall be presented to the Corporate Governance Committee who shall present the nominees for confirmation to Bancorp's Board and the Bank's Board, respectively.

**Section 1.5 Director Compensation.** The Corporate Governance Committee shall, at least annually, review, adjust (as necessary), and recommend to the Bancorp Board and Bank Board directors' compensation, including cash, equity or other compensation for service on the Board, any committee of the Board and as Chairperson of the Board or any committee of the Board.

**Section 1.6 Chief Executive Officer Compensation.** The Corporate Governance Committee shall, working with the Chief Executive Officer ("CEO"), set the CEO's goals not later than January for that calendar year. The Corporate Governance Committee shall be responsible for obtaining information from management and the Board with respect to the performance of the CEO in connection with these goals at the end of each calendar year. The Corporate Governance Committee shall, at least annually, review the CEO's compensation, including annual base salary, annual incentive bonus (including specific goals and amount), equity compensation, employment agreements, severance agreements, change in control agreements/provisions, and any other benefits, compensation or arrangements and make a recommendation to the Board. The Board will adjust (as necessary), and approve the CEO's compensation factors to consider in this compensation review include, but are not limited to, the CEO's performance with respect to the aforementioned goals and market compensation data provided by third parties. Such review and approval of the compensation of the CEO will be made in "executive session" without the presence of the CEO.

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**Section 1.8 Succession Planning.** The Corporate Governance plans for succession to the position of the Chief Executive Officer. The Committee shall also provide advice to the Chief Executive Officer in planning for other executive officer management succession. To assist in this effort, the Chief Executive Officer shall annually provide the Corporate Governance Committee with an assessment of senior managers and of their potential to succeed the Chief Executive Officer. The Chief Executive Officer shall also provide the independent directors of the Committee with an assessment of persons considered potential successors to certain senior management positions. The Corporate Governance Committee shall annually provide a succession planning report to the Board of Directors for the Board's final approval.

**Section 1.9 Employee Compensation and Benefits Programs.** The Corporate Governance Committee shall, at least annually, review and approve the compensation strategy for Bancorp and Bank employees. This includes providing advice to the Chief Executive Officer regarding the various employee benefit plans, including health plans, qualified benefit programs (such as 401(k) plans or employee stock option plans) and other retirement plans used to implement the compensation strategy to ensure that such plans appropriately align the interests of employees with those of Bancorp's shareholders. The Corporate Governance Committee shall work with management and, if desired, outside consultants, in reviewing the Bank's compensation plans to ensure that they meet the Bank's strategic needs, and are effective in attracting and retaining qualified employees.

**Section 1.10 Stock Options and Stock Grants.** The Corporate Governance Committee shall review and recommend for approval to the Board of Directors, all equity-based compensation, including stock options and stock grants awarded to employees and directors of Bancorp and the Bank.

**Section 1.11 Compensation Consultant.** The Corporate Governance Committee shall have the authority, to the extent it deems necessary, to retain and terminate an outside compensation consultant to assist in the evaluation of director, CEO and other executive officer compensation and benefits matters. The Corporate Governance Committee shall have the authority to approve the compensation consultant's fees and other retention terms. The Corporate Governance Committee shall also have the authority, to the extent it deems necessary, to retain internal or external legal, accounting or other consultants or advisers to advise the Corporate Governance Committee.

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**ARTICLE 2****ORGANIZATION**

**Section 2.1 Membership.** The Corporate Governance Committee will consist of no fewer than three (3) members. All members of the Corporate Governance Committee must be Outside Directors.

An "Outside Director" is any director of Bancorp who is independent as determined in accordance with applicable law, including the rules and regulations of the Securities and Exchange Commission, and the rules of Nasdaq, as applicable except as otherwise permitted by the such rules.

**Section 2.2 Appointment and Term.** The Bancorp's Board and Bank's Board will review and confirm the Chairperson and other members of the Corporate Governance Committee, based on appointment made by the Chairman of the Board subject to the procedures outlined above in Section 1.4 (c), for a term of one year. The Chairperson and other members of the Corporate Governance Committee will serve at the discretion of the Bancorp Board and Bank Board.

**Section 2.3 Duties of Chairperson.** The Chairperson will preside at all meetings of the Corporate Governance Committee and perform any duties as may be assigned by the Bancorp' Board from time to time.

**Section 2.4 Resignation.** Any member of the Corporate Governance Committee may resign, effective upon giving written notice to the Chairperson of the Bancorp' Board unless the notice specifies a later time for the effectiveness of the resignation.

**Section 2.5 Vacancies.** All vacancies on the Corporate Governance Committee, however created, may be filled by the Bancorp' Board, subject to nomination by the Corporate Governance Committee. Each member of the Corporate Governance Committee so appointed will hold office until the expiration of the appointed term and until a successor is appointed and qualified.

**Section 2.6 Regular Meetings.** Regular meetings of the Corporate Governance Committee will be held at least quarterly or a similar schedule as the Corporate Governance Committee determines at the time and place as the Corporate Governance Committee determines. Any change in the time or place of a regularly scheduled meeting will require:

- (a) The consent of a majority of the members of the Corporate Governance Committee; and
- (b) Five days' notice by mail or twenty-four hours' notice received personally, by telephone, electronic mail ("e-mail) or similar transmission.

**Section 2.7 Special Meetings.** Special meetings of the Corporate Governance Committee may be called at any time by the Chairperson of the Corporate Governance Committee, any two voting members of the Corporate Governance Committee, the Chief Executive Officer of Bancorp, or by a majority of the Bancorp' Board. Special meetings may be held upon five days' notice by mail or twenty-four hours' notice received personally, by telephone, e-mail or similar transmission. Notice of special meetings need not be given to any member who:

- (a) Before or after the meeting, signs (i) a waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the subject minutes; or

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(b) Attends the meeting without protesting the lack of notice to such member.

**Section 2.8 Voting.** If the Corporate Governance Committee is comprised of an even number of directors, one-half of the number of members will constitute a quorum for the transaction of business. If the Corporate Governance Committee is comprised of an odd number of directors, a majority of the Corporate Governance Committee members will constitute a quorum for the transaction of business. Every action consented to by a majority of the Corporate Governance Committee members present at a meeting (at which a quorum is present) will be regarded as an act of the Corporate Governance Committee, unless other consent is required pursuant to this Charter, the Articles of Incorporation or Bylaws of Bancorp or applicable law.

**Section 2.9 Minutes.** The Chairperson of the Corporate Governance Committee shall ensure that minutes and other relevant records of the meetings and activities of the Corporate Governance Committee are maintained. The minutes will be available for review by the Corporate Governance Committee members, Bancorp' Board and the Bank Board and any regulatory agency having jurisdiction over the affairs of Bancorp or the Bank. In the event of any meeting in "executive session", the Chairperson will designate an Acting Secretary of the Corporate Governance Committee for the purpose of recording the minutes of actions taken at the meeting or "executive session" thereof.

**Section 2.10 Presence at Meetings.** Members of the Corporate Governance Committee may participate in a meeting through use of conference telephone or similar communication equipment, so long as all members participating in the meetings can hear one another. A telephone poll or electronic communication such as e-mail or other similar transmission may be conducted for the purposes of providing advice or approval to the Chief Executive Officer or other required approvals between regularly scheduled meetings to facilitate Company operations. In such cases, the telephone poll or electronic communication may be conducted where all members participating may not hear one another. Use of these alternate meeting methods when all members cannot hear one another will be on an exception basis. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting. Written records of the results of a telephone poll or electronic communication shall be reported at the next regularly scheduled Corporate Governance Committee meeting by management.

**Section 2.11 Amendments.** This Charter of the Corporate Governance Committee may be amended only by a resolution of the Bancorp' Board.

**Section 2.12 Delegation of Authority.** This Corporate Governance Committee may form and delegate authority to subcommittees when appropriate.