

PATRIOT STATE BANK COMPENSATION COMMITTEE CHARTER

The Compensation Committee of the Board of Directors of Patriot State Bank (the “Bank”) has recommended to the Board of Directors for its approval this charter setting forth the purpose, membership requirements, authority and responsibilities of the Compensation Committee. The Board of Directors has approved the Charter.

Purpose

The purpose of the Compensation Committee is to discharge the responsibilities set forth below relating to the compensation and employee benefit plans and the compensation of the directors and certain officers of the Bank.

Membership

The membership of the Compensation Committee shall be recommended by the Chairman of the Board of Directors and approved by the Board. Committee members shall be comprised of not less than three members of the Board, the exact number to be determined by the Board. Each member of the Compensation Committee shall be (i) independent as defined from time to time under the Rules of Conduct of the Nasdaq Stock Market Listing Standards and any other applicable regulatory standards; (ii) a “Non-Employee Director” as that term is defined under Rule 16b-3 promulgated by the Securities and Exchange Commission (the “SEC”) and any other applicable SEC or Nasdaq regulation; and (iii) an “Outside Director” as that term is defined for the purposes of Internal Revenue Code Section 162(m). Members of the Compensation Committee serve at the pleasure of the Board of Directors and they may be removed and replaced by the Board of Directors provided such replacement meets all of the membership requirements as set forth above.

A member of the Compensation Committee shall be elected as the Chairperson who shall determine meeting times, agenda and other relevant issues to conduct meetings of the Committee. The Committee shall meet no less frequently than annually. The Compensation Committee may, in its discretion, form and delegate all or a portion of its authority and responsibilities to a subcommittee of the Compensation Committee when appropriate, as permitted by applicable law and the rules of the SEC, FDIC and Nasdaq Stock Market.

Authority and Responsibility

The Compensation Committee of the Bank shall have the following authority and direct responsibilities:

1. At least annually, to review and approve corporate goals and objectives relevant to the compensation of the President of the Bank and to evaluate the President’s performance in light of those goals and objectives, determine and approve the President’s total compensation level, including the relative mix between cash, equity and deferred compensation, based on this evaluation and recommend the

President's total compensation for approval by the independent directors of the Board. In determining the long term incentive component of the President's compensation, the Committee shall consider, among other relevant factors, the performance and relative shareholder return (both based on assets and on equity) of the Bank, the value of similar incentive rewards to presidents at comparable peer companies, awards given to the President in prior years and the Committee's assessment of the President's managerial effectiveness and current and expected contribution to the overall financial success of the Bank.

2. At least annually, the Committee shall review and approve the compensation levels for members of the Bank's executive management team, which compensation levels have been recommended by the President of the Bank to the Committee. The executive management team referenced aforesaid shall consist of those officers who report directly to the President. In reviewing and approving such executives' compensation, the Committee shall take into account (but shall not be bound by) recommendations made by the President of the Bank.
3. Additionally, the Committee shall provide oversight to the employee benefit plans of the Bank and shall make recommendations to the Board with respect to additions to, and/or modifications of, existing incentive compensation plans and equity based compensation plans. The Committee shall oversee the administration of all such plans as have been or may be adopted by the Board of Directors. The Committee shall have authority, subject to oversight by the Board of Directors of the Bank to approve all grants, awards and payouts under the incentive stock option plans and any other equity-based compensation plans of the Bank available to employees of the Bank. In approving grants, awards and payouts under the incentive stock option plans and any other equity-based compensation plans of the Bank, the Committee shall take reasonable measures to ensure that it does not "time," or is not perceived by the market to "time," such grants, awards or payouts to take advantage of, material, non-public information.
4. The Committee shall review periodically, director and board committee compensation levels for the Bank and shall have sole authority to determine the compensation thereof. The Committee may perform any other activities consistent with this Charter, the bylaws of the Bank and governing law as the Board deems appropriate.

Reports; Performance Evaluation

The Compensation Committee of the Bank shall produce an annual report on executive compensation for inclusion in the Bank's annual proxy statement in accordance with applicable rules and regulations of the FDIC or SEC when, and if, such rules and regulations apply to the Bank. The Compensation Committee of the Bank shall report periodically to the Board at regularly scheduled Board meetings but not less frequently than annually. The Compensation Committee of the Bank shall conduct and present to the Board an annual performance evaluation of itself. At least annually the Compensation Committee of the Bank shall review the adequacy

of this Charter and recommend any proposed changes to the Board for approval. In reviewing the adequacy of this Charter, the Compensation Committee shall consider then current SEC regulations pertaining to executive compensation and “best practices” in the banking industry in general.

The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, President or executive compensation and shall have sole authority to approve the consultant’s fees and other retention terms. In the event of a vacancy in the position of President and/or the chief executive officer of the Bank, the Compensation Committee shall have authority to conduct a search for a new President and/or chief executive officer. Appointment of a new President and/or chief executive officer shall be in accordance with the Bylaws of the Bank. In conducting its search, the Compensation Committee shall have authority to retain any executive search firm or consultant to assist in the location of potential candidates and to assist in the evaluation of any proposed candidates for President and/or chief executive officer. The Compensation Committee shall also have authority to obtain advice and assistance from legal, accounting and other appropriate advisors.