

PALMETTO BANCSHARES, INC.
REGULATORY OVERSIGHT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER
AS OF AUGUST 18, 2009

I. PURPOSE

The Board of Directors has established the Regulatory Oversight Committee to oversee regulatory compliance, serve as the liaison between the banking regulatory agencies and the Board, and to oversee the development and execution of a Strategic Project Plan to address issues related to credit quality, liquidity, capital, earnings, governance, regulatory examination preparation, and communication.

II. COMPOSITION AND MEETINGS

The Committee is comprised of the following independent members of the Board of Directors:

- Jane Sosebee, Chair
- Mike Glenn, Lead Director of the Board of Directors
- John Gramling, Chair of the Credit Committee
- Ann Smith, Chair of the Audit Committee
- John Hopkins

Management will participate in the Committee meetings and will report to the Committee and the Board of Directors; however, no members of management are members of the Committee.

The Committee will meet as often as considered necessary in the judgment of the Committee. When held, the meeting dates are expected to be at the mid-point between scheduled meetings of the Board of Directors.

III. RESPONSIBILITIES AND DUTIES

With respect to its responsibilities, the Committee shall:

1. Oversee regulatory compliance, including the impact of any banking regulatory rules not the purview of another committee of the Board.
2. Serve as the liaison between the banking regulatory agencies and the Board, including meetings with regulatory agencies, and review of and response to regulatory reports.
3. Oversee the development and execution of a Strategic Project Plan to address issues related to credit quality, liquidity, capital, earnings, governance, regulatory examinations, and communication.

4. As part of its oversight, the Committee will receive written and oral reports from management in each of its regularly scheduled meetings regarding regulatory compliance in general and the status of the Strategic Project Plan.
5. With the concurrence of the Board of Directors, the Committee may engage external advisers such as legal counsel, consultants, and investment bankers, and invite such advisors to attend meetings of the Committee and/or Board of Directors.
6. Maintain minutes of its meetings and records relating to those meetings and the Committee activities.

IV. COMMITTEE REPORTING

The Committee shall produce the following reports and provide them to the Board:

1. A written or oral summary of the pertinent actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.
2. An annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate, including the use of an external consultant if desirable by the Committee.

V. AUTHORITY

In discharging its duties, the Committee is empowered to investigate any matter within the scope of its responsibilities.

The Committee shall have the authority to obtain such data, engage such professionals and advisors, and use such other internal and external resources as it determines are necessary or desirable to fulfill its responsibilities and duties. Such authority shall include the authority to consult with the Company's management and employees, incur administrative expenses, obtain external reports and other materials, and to engage outside advisors, including independent counsel, as it determines are necessary or desirable to carry out its duties.

Where legally permissible, the Committee shall have the authority to delegate such of its responsibilities, as the Committee may deem necessary or appropriate in its sole discretion.