

**CORNERSTONE BANCSHARES, INC.**  
**HUMAN RESOURCES AND COMPENSATION COMMITTEE CHARTER**  
**Approved by the Board of Directors on April 2008**

**Purpose**

The Board of Directors (the “Board”) of Cornerstone Bancshares, Inc. has established the Human Resources and Compensation Committee (the “Committee”) of the Board to assist the Board in:

1. Reviewing and adopting Human Resource policies for Cornerstone Bancshares, Inc., Cornerstone Community Bank and Eagle Financial, Inc. (collectively, the “Company”)
2. Ensuring the overall personnel needs of the Company are being met.

**Members of the Committee**

The Committee must be comprised of at least three and no more than five members of the Board. The Committee must be comprised solely of independent directors. An independent director must not be an officer or employee of the Company and must not have any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in fulfilling the responsibilities of a Committee member. In addition the Company’s incentive stock plans are intended to comply with the requirements of Section 162(m) of the Internal Revenue Code; therefore all directors who serve on the Committee must be “Outside Directors” within the meaning of Section 162(m) of the Internal Revenue Code.

No Committee member may participate in any discussion with respect to, or vote on, any matter in which the member is not independent. If there is any basis for believing a Committee member is not independent, the facts and circumstances should be reported to the Board, and the Committee member should not participate or vote on any matter until the Board has determined the Committee member is independent. No Committee member shall have an interest in the Company precluding their ability to act on behalf of the shareholders of the Company.

The Committee’s members shall be nominated for membership on the Committee by the Board and elected by the Board. Each member of the Committee shall serve a one-year term, or until such member’s earlier resignation or removal. Any member may resign their position as a member of the Committee upon notice given in writing or electronic transmission to the Board. A member may be removed from the Committee upon the majority vote of the Board. The Chair of the Committee will be chosen by the Committee members at their first annual meeting each year.

No member of the Compensation Committee shall be an officer or employee of the Company or any of its subsidiaries at the time of such member’s service on the Compensation Committee. None of the executive officers of the Company during any fiscal year shall have: (a) served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the board of directors) of another entity, one of whose executive officers served on the Compensation Committee of the Company, (b) served as a director of another entity, one of whose executive officers served on the Compensation Committee of the Company, or; (c) served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the board of directors) of another entity, one of whose executive officers served as a director of the Company.

**Responsibilities of the Committee**

The Committee is responsible to the Board for the following activities:

1. Reviewing and adopting all Human Resource policies for the Company.
2. Ensuring the overall personnel needs of the Company are being met, such as, but not limited to:
  - Adopting succession and management development plans for appropriate Company personnel.
  - Reviewing future personnel needs and recruitment program results.

- Adopting and monitoring the Company's Affirmative Action Plan.
- Overseeing the Company's performance appraisal system.
- Evaluating employee morale and human resource risk.

The Committee is responsible to the Board for the oversight of the following activities:

1. Establishing strategies and compensation practices and programs for the Company's employees providing incentives for effectively delivering improved value to the Company's shareholders, and ensuring all compensation arrangements comply with applicable law.
2. Establishing practices to hire and retain executive officers, with the objective of aligning the compensation of those executive officers with the business interests of the Company and the Company's shareholders.
3. Reviewing and submitting for approval to the Board the Company's goals and objectives relevant to the executive officer's compensation program.
4. Administering and maintaining a compensation policy for executive officers containing appropriate performance incentives and equity-linked components, determining those executive officers eligible to receive such compensation and how much they are to receive based on the performance of the Company and relative to the Company's goals and objectives.
5. Performing an annual survey to determine the amount and type of executive compensation paid to executive officers by comparable financial institutions.
6. Evaluating annually adherence to the Company's "Code of Conduct" policy by each executive officer, and use the evaluation in determining the level of compensation for each executive officer.
7. Reviewing and recommending to the Board for approval any employment, non-competition, change-in-control, severance or similar agreements, including any amendments, with executive officers.
8. Performing annual written reviews evaluating each executive officer's individual performance in light of the approved goals and objectives. Specifically the Committee will recommend for Board approval the CEO's compensation, equity based incentives and non-equity based incentives. Additionally the Committee will review and approve the compensation, equity based incentives and non-equity based incentives for the other named executive officers.
9. Reviewing and discussing with senior management the written "Compensation Discussion and Analysis" included in the Company's proxy statement, and providing a report disclosing this review and discussion in the Company's proxy statement.
10. Reviewing compensation and incentive arrangements for all other officers of the Company.
11. Reviewing all employee benefit plans including new plans and revisions, the overall cost of those benefit plans and the regulatory compliance of those benefit plans.
12. Reviewing and administering the Company's equity and non-equity based incentive plans to ensure they provide proper incentives and avoid excessive ownership dilution to existing shareholders, and make recommendations to the Board and the shareholders with respect to amendments to those plans.
13. Reviewing for submission to the Board and the Company's shareholders all new equity based incentive plans, and any amendments to those plans.
14. In addition to the matters listed above the Committee will perform such other functions as required by law or authorized by Board resolution.

## Meetings

The Committee shall at least meet four times a year and may from time to time require specially called meetings, as deemed necessary by the Chair of the Committee. The Chair of the Committee will preside at each meeting of the Committee and shall set the length of each meeting and the agenda of items to be addressed at each meeting. The Committee shall meet in executive session when assessing the performance of and when determining the compensation, including incentives, of the CEO and at such other times as the Chair or the Committee may determine.

### **Subcommittees**

The Committee may, by resolution passed by a majority of the Committee, designate one or more subcommittees, each subcommittee to consist of one or more of the members of the Committee. The Committee may delegate such authority to a subcommittee as the committee deems appropriate.

### **Reporting**

The Committee shall maintain written minutes of all meetings and consent actions, which shall be recorded or files with the Secretary of the Company and made available to the Board. The Chair of the Committee will make regular reports to the Board with respect to all significant matters presented at meetings of the Committee.

### **Committee Report on Executive Compensation**

The Committee shall prepare a report, regarding executive compensation, for inclusion in the Company's proxy statement or annual report as required by, and in accordance with, applicable rules and regulations.

### **Assistance from Others**

The Committee may engage external advisors and compensation consultants, to the extent determined appropriate by the Committee, to facilitate the performance of the functions of the Committee. All external advisors engaged by the Committee shall report directly to the members of the Committee. Specifically, the Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the executive officers and shall have the sole authority to approve the consultant's fees and other retention terms. The Committee has the same authority to retain other experts to advise or assist it, including independent counsel, accountants, financial analysts or others. The Committee may also request reports from the Chief Executive Officer, the Chief Financial Officer, the Director of Human Resources or any other officer of the Company.

### **Performance Evaluation**

Each year, the Committee shall review and assess the adequacy and appropriateness of this charter and the Committee's own performance. The results of such evaluation and any proposed changes will be presented to the Board.