

CORNERSTONE BANCSHARES, INC.
AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE
Approved By the Board of Directors April 2008

Purpose

The purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of Cornerstone Bancshares, Inc. (the "Company") in fulfilling its oversight of (1) the integrity of the Company's financial statements (2) the Company's compliance with legal and regulatory requirements (3) the independent Auditor's qualifications and independence and (4) the performance of the Company's internal audit function and independent auditors. The Committee shall also prepare the report required by the Securities and Exchange Commission for inclusion in the Company's proxy statement for the annual meeting of shareholders.

The Committee will fulfill these responsibilities by carrying out the activities enumerated in Section 3 of this Charter. The Committee shall be given full and direct access to the Company's Internal Auditor, the Chairman of the Board, Company executives and independent accountants as necessary to carry out these responsibilities. However the Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and condition or the responsibilities of the independent accountants relating to the audit or review of financial statements. The Committee's scope of responsibility spans all divisions and subsidiaries of the Company and encompasses all business and activities engaged in by the Company.

The independent accountants' ultimate responsibility is to the Board and the Audit Committee, as representatives of the shareholders. The Committee has the ultimate authority to select, compensate, evaluate and, where appropriate, replace the independent accountants.

Membership of the Audit Committee

The Audit Committee shall be comprised of not less than three (3) directors, each of whom will be independent as required by Rule 10A(3) under the Securities Exchange Act of 1934, as amended (the "SEC Act"). Each appointed Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time.

All members of the Committee shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, or any other comparable experience or background which results in the individual's financial sophistication. This person shall satisfy the requirements as defined by the Securities and Exchange Commission (the "SEC") for qualifying as a "financial expert."

Responsibilities and Duties

- To fulfill its responsibilities and duties, the Audit Committee shall:
- A. Review annually the Audit Committee Charter for adequacy and recommend any changes to the Board.
 - B. Review the significant accounting principles, policies and practices followed by the Company in accounting for and reporting its financial results of operations in accordance with Generally Accepted Accounting Principles ("GAAP").
 - C. Review the financial, investment and risk management policies followed by the Company in operating its business activities.
 - D. Review the Company's annual audited financial statements, related disclosures, including the Management Discussion and Analysis portion of the Company's public filings, and discuss with the independent accountants the matters required to be discussed by Auditing Statement Number 61, including (i) the quality as well as acceptability of the

accounting principles applied in the financial statements, and (ii) new or changed accounting policies: significant estimates, judgments, uncertainties or unusual transactions: and, accounting policies relating to significant financial statement items.

- E. Review any management letters or internal control reports prepared by the independent accountants or the Company's internal auditor and responses to prior management letters, and review with the independent accountants the Company's internal financial controls, including the budget, staffing and responsibilities of the Company's internal auditing function.
- F. Review the effectiveness of the independent audit effort, including approval of the scope of, and fees charged in connection with, the annual audit, quarterly reviews and any non-audit services being provided.
- G. Be responsible for the appointment, determination of the funding for and oversight of the work of the independent accountant employed to conduct the audit (including resolution of disagreements between the independent accountants and management regarding financial reporting). The independent accountants shall report directly to the Audit Committee.
- H. Approve in advance all services that may be provided to the Company by the independent accountants whether or not related to the audit, and review the hiring policies for any employees or former employees of the independent accountants.
- I. Obtain on an annual basis a formal written statement from the independent accountants whether all relationships between the accountants and the Company are consistent with "Independence Standards Board Standard No.1," and review and discuss with the accountants all significant relationships the accountants have with the Company which may affect the accountants' independence.
- J. Be responsible for the disclosure that the Committee has reviewed and discussed the audited financial statements with management and discussed the matters required by the "Statements on Auditing Standards 61" with the Company's independent auditors.
- K. For each of the first three fiscal quarters and at year end, at a Committee meeting review with management the financial results and review with the independent accountants the results of their review of the interim financial information and audit of the annual financial statements.
- L. Review management's analysis of any significant accounting issues, changes, estimates, judgments or unusual items relating to the financial statements and the selection, application and effects of critical accounting policies applied by the Company (including an analysis of the effect of alternative GAAP methods) and review with the independent accountants the reports on such subjects delivered pursuant to Section 10A(k) of the SEC Act.
- M. Following completion of the annual audit, review separately with the independent accountants, the internal auditor and management any significant difficulties encountered during the course of the audit.
- N. Engage and determine funding for such independent professional advisors and counsel as the Committee determines are appropriate to carry out its function hereunder.
- O. Report to the Board on a regular basis on the major events covered by the Audit Committee and make recommendations to the Board and management concerning these matters, including at least annually an evaluation determining the effectiveness of the Committee.
- P. In accordance with its responsibility, the Audit Committee on a timely basis reviews and, if appropriate, approves all related party transactions.
- Q. Perform any other activities consistent with this charter, the Company's Bylaws and governing law as the Committee or the Board deems necessary or appropriate, including but not limited to the Company's legal and regulatory compliance.
- R. Establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and,
 - (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Audit Committee Meetings

The Audit Committee will meet on a regular basis at least 4 times each year, and will hold special meetings, as circumstances require. The timing of the meetings shall be determined by the Audit Committee. However the Committee will meet at any time that the independent accountants believe communication to the Committee is required. At each regular meeting the Committee may meet separately with the independent accountants, the internal auditor or with management.

At all Audit Committee meetings a majority of the total number of members shall constitute a quorum. A majority of the members of the Committee present at each meeting shall be empowered to act on behalf of the entire Committee. Minutes shall be kept of each meeting of the Committee.

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.

Assistance from Others

The Committee may engage external advisors and 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 consultant 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 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.