

Cornerstone Financial Corporation/Cornerstone Bank Audit Committee Charter

Purpose

The purpose of the Committee is to assist the Board of Directors in overseeing the audit and integrity of the Bank's financial statements; the qualifications, independence and performance of the Bank's independent auditor; the adequacy and effectiveness of the Bank's accounting, auditing and financial reporting processes; and the Bank's compliance with legal and regulatory requirements.

Although the Committee has the authority and responsibilities set forth in this Charter, the primary role of the Committee is oversight. It is not the duty of the Committee to conduct audits, to determine that the Bank's financial statements are complete and accurate and are in accordance with generally accepted accounting standards and applicable laws, rules and regulations, or to otherwise assure compliance with applicable laws, rules and regulations. These are the responsibilities of management and the independent auditor.

Authority

In discharging its oversight role, the Committee is empowered to conduct and authorize investigations into matters within its scope of responsibilities. The Committee may request any officer or employee of the Bank or the Bank's independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

The Committee shall have the authority to engage independent legal, accounting and other advisors as it determines necessary to carry out its duties. The Committee shall determine the extent of funding necessary for payment of compensation to such advisors, as well as to the independent auditor for the purpose of rendering or issuing an audit report.

The Committee may form and delegate authority to subcommittees consisting of one or more members (a) to grant pre-approvals of auditing services and non-audit services provided to the Bank by the independent auditor or (b) to perform other duties (subject to Board approval) as appropriate.

Membership Requirements

The Committee shall be comprised of three or more members of the Board, as determined by the Board. Each member shall be independent, as interpreted by the Board consistent with the requirements of the Sarbanes-Oxley Act of 2002 and applicable regulations, and financially literate, as interpreted by the Board.

Structure and Process

Appointment of Members, Chairperson. Committee members shall be appointed by the Board at its annual organizational meeting; members shall serve until their successors are duly appointed and qualified. The Committee's chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the persons then serving as members of the Committee.

Meetings. The Committee may hold regular meetings on such days and at such times as it shall determine. Other meetings of the Committee shall be held at the request of the Chairperson of the Committee or any two other Committee members. The Committee shall meet at least four times annually. A majority of the Committee shall constitute a quorum for the transaction of business. Minutes of the meetings of the Committee shall be regularly kept by the Secretary or a person appointed by the Committee to do so, and shall be provided to the Board.

Rules and Guidelines. The Committee may adopt rules and guidelines for its meetings and other activities.

Duties and Responsibilities

The Committee shall have the following duties and responsibilities:

A. Financial Information

1. Review and discuss with management and the independent auditor financial statements and related information contained in the Bank's Annual Reports and disclosures under "Management's Discussion and Analysis."

2. Review and discuss with management and, as appropriate, the independent auditor, financial information to be included in earnings releases, reports to shareholders, or other interim financial reports before such information is released to the public or to regulators.
3. Recommend to the Board, if appropriate, that the Bank's annual audited financial statements be included in the Bank's Annual Report.
4. Prepare the report of the Committee required to be included in the Bank's annual proxy statement.

B. Independent Auditor

1. Select, appoint, oversee, evaluate and, where appropriate, replace the independent auditor (or nominate the independent auditor to be proposed for shareholder approval in any proxy statement), who is ultimately accountable to the Committee.
2. Review and approve, in advance, all audit and non-audit services to be performed by the independent auditor and the related fees and compensation for such services.
3. Ensure that the independent auditor annually submits to the Committee a written statement (required by Independent Standards Board Standard No. 1) delineating all relationships and services that may impact the objectivity and independence of the independent auditor; discuss with the independent auditor any disclosed relationships or services that may impact its objectivity or independence; and take appropriate action to satisfy itself as to the independence of the independent auditor.

C. Accounting, Auditing and Financial Reporting Processes

1. In consultation with management, the internal auditors and the independent auditor, oversee the Bank's internal and external accounting, auditing and financial reporting processes, including systems and controls.
2. Select, appoint, oversee, evaluate and, where appropriate, replace the internal auditors.
3. Review and discuss with management, the internal auditors and the independent auditor:
 - a) the scope of the internal audit plan and any proposed changes;
 - b) the adequacy of the Bank's internal controls, including computerized information systems and security;

- c) any difficulties the internal auditor encountered while conducting the audits, including restrictions on the scope of their work or access to required information; and
 - d) any significant internal audit findings and recommendations and management's responses to them.
4. Review and discuss with the independent auditor: (a) the independent auditor's audit of and report on the financial statements of the Bank; (b) the independent auditor's qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and underlying estimates used in financial disclosures; (c) any serious difficulties or disputes with management encountered during the course of the audit; and (d) any other matters regarding the conduct of the audit required to be discussed by applicable auditing standards.
 5. Resolve any disagreements between management and the independent auditor regarding financial reporting.
 6. Establish procedures for the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 7. Establish procedures for the receipt, retention and treatment of complaints received by the Bank regarding accounting or auditing matters.
 8. Review and discuss with the President & CEO and the Chief Financial Officer their respective conclusions set forth in the Bank's Annual Reports, regarding the effectiveness of the Bank's disclosure controls and procedures.
 9. Review and discuss with the President & CEO and the Chief Financial Officer any matters required to be disclosed by such officers pursuant to the Securities Exchange Act of 1934 regarding any significant deficiencies in the design or operation of the Bank's internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information.
 10. Review and discuss with the President & CEO and the Chief Financial Officer any matters required to be disclosed by such officers pursuant to the Securities Exchange Act of 1934 regarding any fraud involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

D. Legal and Regulatory Compliance

1. Receive reports from the President & CEO, the Chief Financial Officer, and the Bank's attorneys regarding any legal or regulatory matter that may have a material impact on the Bank's financial statements.
2. Receive reports from the Compliance Officer, and any relevant reports from regulators, regarding any matters that may have a material effect on the Bank's compliance policies and programs.

E. Other

1. Meet periodically in separate sessions with management, the internal auditors, and the independent auditor to discuss any matters that the Committee (or any of these groups) believes should be discussed privately.
2. Report regularly to the Board regarding issues arising before, and actions taken by, the Committee.
3. Review and reassess the adequacy of this charter periodically as circumstances dictate, but no less frequently than annually, and recommend any proposed changes to the Board for approval.
4. Perform any other activities consistent with this Charter, the Bank's By-laws and governing law as the Committee or the Board deems necessary or appropriate.