

Community Financial Shares, Inc.

Audit Committee Charter

The Audit Committee is appointed by the board of directors to assist the board of directors in undertaking and fulfilling its responsibilities in monitoring:

- the integrity of the financial statements of the Company;
- the compliance by the Company with legal and regulatory requirements; and
- the independence and performance of the Company's outside auditors.

The members of the Audit Committee shall meet the independence requirements set forth in Rule 4200(a)(15) of the NASD's listing standards* or any successor or replacement rule. Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, statement of operations and statement of cash flows, or will become able to do so within a reasonable period of time after his or her appointment to the Audit Committee.

The number of members of the Audit Committee shall be determined by the board of directors, but in no event shall consist of less than three individuals one of which must be an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission. The members of the Audit Committee shall be appointed by the board of directors and shall serve terms of such length as the board of directors may determine.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the committee. The Audit Committee shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or outside auditor to attend a meeting of the committee or to meet with any members of, or consultants to, the committee and provide pertinent information as necessary.

The Audit Committee shall meet at such times and from time to time as it deems appropriate but not less than four times during the course of a year. The Audit Committee shall report regularly to the board of directors with such recommendations as the Audit Committee may deem appropriate.

On behalf of the board of directors, the Audit Committee shall:

1. Review and reassess the adequacy of this Audit Committee Charter annually at the first occurring meeting of each calendar year and recommend any proposed changes to the board of directors for approval.
2. Review with management and the outside auditor the Company's annual audited financial statements and the outside auditor's report thereon, including major issues regarding accounting principles and auditing standards and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements.

3. Review an analysis prepared by management and the outside auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
4. Meet annually with management and the outside auditor to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
5. Review major changes to the Company's accounting and auditing principles and practices as suggested by the outside auditor or management.
6. Select and recommend to the board of directors the appointment of the outside auditor, which firm is ultimately accountable to the Audit Committee and the board of directors.
7. Approve the fees to be paid to the outside auditor.
8. Ensure its receipt of periodic reports and statements from the outside auditor regarding the auditor's objectivity and independence, including, without limitation, a formal written statement delineating all relationships between the outside auditor and the Company consistent with the Auditor's Responsibility Under Standards of the Public Company Accounting Oversight Board, discuss such reports and statements with the outside auditor, and if so determined by the Audit Committee, recommend that the board of directors take appropriate action to oversee the independence of the outside auditor.
9. Evaluate the performance of the outside auditor and, if so determined by the Audit Committee, recommend that the board of directors replace the outside auditor.
10. Meet with the outside auditor prior to the annual audit to review the scope and planning of the audit.
11. Obtain from the outside auditor assurance that Section 10A of the Private Securities Litigation Reform Act of 1995 has not been implicated.
12. Discuss with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees) relating to the conduct of the annual audit.
13. Review with the outside auditor any problems or difficulties the outside auditor may have encountered and any management letter provided by the outside auditor and the Company's response to that letter. Such review should include any difficulties encountered in the course of the audit work, including any restrictions encountered by the outside auditor on the scope of its auditing procedures or its access to required information.
14. Prepare the report of the Audit Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

15. Review legal and regulatory matters, if any, that may have a material impact on the Company's financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

The Audit Committee shall also undertake such additional activities within the scope of its primary function as the Audit Committee may from time to time determine or as may otherwise be required by law, the Company's by-laws or certificate of incorporation or the board of directors. The duties and responsibilities of a member of the Audit Committee are in addition to those duties set out for a member of the board of directors of the Company. While the Audit Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are prepared in accordance with generally accepted accounting principles. This is the responsibility of the Company's management. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the outside auditor or to assure compliance with laws and regulations.

The Company shall indemnify, in accordance with and to the fullest extent now or hereafter permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Company), by reason of his or her acting as a member of the Audit Committee against any liability or expense actually or reasonably incurred by such person in respect thereof. This indemnity shall be in addition to any rights of indemnity otherwise available to any such member.

The material in this Audit Committee Charter is not soliciting material, is not deemed filed with the Securities and Exchange Commission and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date this charter is first included in the Company's annual Proxy Statement filed with the Securities and Exchange Commission and irrespective of any general incorporation language contained in such filing.

Under Rule 4200(a)(15) of the NASD's listing standards, (i) an "independent director" means a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and (ii) the following persons shall not be considered independent:

- (A) a director who is employed by the corporation or any of its affiliates for the current year or any of the past three years;
- (B) a director who accepts any compensation from the corporation or any of its affiliates in excess of \$60,000 during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan or non-discretionary compensation;
- (C) a director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the corporation or any of its affiliates as an executive officer (immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home);

- (D) a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation's securities) that exceed 5% of the corporation's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years;
 - (E) a director who is employed as an executive of another entity where any of the company's executives serve on that entity's compensation committee.
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