

**AUDIT COMMITTEE CHARTER  
OF  
TILE SHOP HOLDINGS, INC.**

**Purpose**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Tile Shop Holdings, Inc. (together with its subsidiaries, the “Company”) shall assist the Board with the oversight of the Company’s corporate accounting and financial reporting processes, the audits of its financial statements and its internal control processes and monitoring compliance with laws and regulations to which the Company is subject, and the Company’s Code of Business Conduct and Ethics (“Code”) and Insider Trading Policy. The Committee shall serve as an independent and objective body to monitor the Company’s financial reporting processes and system of internal controls. As necessary and appropriate, the Committee shall also provide the Board with recommendations regarding improvements to be made to the Company’s financial reporting system, system of internal controls, and the compliance function and Code.

In addition to powers and responsibilities delegated herein, and consistent with the Company’s certificate of incorporation and bylaws, the Committee may exercise any powers and responsibilities delegated to it by the Board from time to time. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it, and any acceptance or rejection of such powers and responsibilities shall be in the Committee’s sole discretion. When acting within the scope of the powers and responsibilities delegated to it by the Board, the Committee shall have all of the powers and authority of the Board.

Notwithstanding the foregoing, the Committee’s responsibilities are limited to oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements as well as the Company’s financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. The Company’s independent auditor is responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles (“GAAP”) and reviewing the Company’s quarterly financial statements. The Committee’s responsibilities do not include planning or conducting audits or determining that the Company’s financial statements and disclosures are complete and accurate and in accordance with GAAP or applicable laws, rules or regulations. Each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts (including the Company’s internal auditor (if any) and the Company’s independent auditor) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

**Member Qualification and Appointment**

The Committee shall be composed of at least three (3) members of the Board. Each member of the Committee shall satisfy the independence and experience requirements of the United States

Securities and Exchange Commission (the “SEC”), NASDAQ Stock Market, and the Public Company Accounting Oversight Board (to the extent that such body establishes independence and experience requirements). Each member of the Committee shall be able to read and understand fundamental financial statements, including a company’s income statement, balance sheet and cash flow statement. At least one (1) member of the Committee shall be an “audit committee financial expert” within the definition adopted by the SEC.

Each member of the Committee shall be appointed by the Board and shall serve until his or her resignation or until otherwise determined by the Board. Committee members may be removed from the Committee by the Board at any time, with or without cause. The Board shall designate a chairperson of the Committee (the “Chair”) and the Committee may elect a secretary of the Committee.

### **Meetings and Administration**

The Chair (or, in his or her absence, a member of the Committee designated by the Chair) shall preside at each meeting of the Committee and shall determine the agenda for each meeting of the Committee. The Committee shall have authority to establish rules and procedures for notice and conduct of meeting, provided that such rules and procedures shall not be inconsistent with any provisions of the Company’s bylaws applicable to the Committee.

The Committee shall meet at least once during each fiscal quarter and at such other times as may be designated by the Chair or any two (2) other members of the Committee from time to time. The Committee shall also be permitted to take action by unanimous written consent when deemed necessary or appropriate. From time to time, the Committee shall meet separately with management of the Company, with the internal auditor (if any), and with the independent auditor.

The Committee may, in its discretion, invite other members of the Board, members of the Company’s management, the internal auditor (if any), representatives of the independent auditor, other financial personnel employed or retained by the Company, legal counsel to the Company, the head of the Compliance function, and/or any other persons whose presence the Committee believes to be desirable and appropriate to meetings of the Committee.

To the extent that it deems necessary or appropriate, the Committee may retain independent counsel, experts or advisors, and the Company shall provide appropriate funding for the retention of such counsel, expert or advisors. Further, the Committee may utilize the services of the Company’s regular legal counsel or other advisors. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attestation services, for payment of compensation to any advisors to the Committee and for ordinary administrative expenses of the Committee.

### **Duties and Responsibilities**

#### **Independent Auditor**

1. Appointment. The Committee shall have sole and direct responsibility for

appointing, overseeing, evaluating, retaining and terminating the engagement of the independent auditor. The Committee may, in its discretion, seek stockholder ratification of the independent auditor that it appoints.

2. Compensation. The Committee shall have sole and direct responsibility for setting the compensation of the independent auditor. Without further action from the Board, the Committee is empowered to cause the Company to pay the compensation of the independent auditor, as determined by the Committee.
3. Oversight. The independent auditor shall report directly to the Committee. The Committee shall have sole and direct responsibility for overseeing the work of the independent auditor, including resolution of disagreements between management of the Company and the independent auditor regarding financial reporting. The Committee shall evaluate the independent auditor's qualifications, independence and performance.
4. Independence. The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, at least annually, the Committee shall:
  - Obtain and review a formal report from the independent auditor describing all relationships between the independent auditor and the Company (consistent with PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees Concerning Independence*) and engage in a dialogue with the independent auditor with respect to any disclosed relationship or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor;
  - Review the quality control procedures of the independent auditor and the experience and qualifications of the independent auditor's senior personnel that are providing audit services to the Company;
  - Confirm with the independent auditor that the independent auditor is in compliance with partner rotation requirements as required by law; and
  - If applicable, consider whether the independent auditor's provision of any permitted non-audit services to the Company is compatible with maintaining the independence of the independent auditor.
5. Pre-approval of Services. Before the independent auditor is engaged by the Company to render audit, audit-related, tax or permitted other services, the Committee shall pre-approve the engagement. Notwithstanding the foregoing, separate Committee pre-approval shall not be required (a) if the engagement for services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company's engagement of the independent auditor (the "Pre-Approval Policy") as to

matters within the scope of the Pre-Approval Policy or (b) for *de minimus* non-audit services that are approved in accordance with applicable SEC rules. The Committee shall review and revise the Pre-Approval Policy, including the exhibits thereto, as it may deem necessary or appropriate from time to time.

#### Financial Statements & Disclosures

6. Scope of Audit; Planning. The Committee shall meet with the Company's management and the independent auditor in connection with each annual audit to discuss the scope of the audit, the procedures to be followed in conducting the audit and the staffing of the audit.
7. Review and Discussion. The Committee shall review and discuss with the Company's management and the independent auditor the Company's audited financial statements, including the matters about which PCAOB Accounting Standard No. 16, *Communications with Audit Committees* (AS 16)(or a successor statement) requires discussion. The Committee shall review and discuss with the Company's management and the independent auditor, the results of the Company's annual audit and the review of the Company's quarterly financial statements, including the disclosures in the Company's annual and quarterly reports filed with the SEC.
8. Recommendation to Board Regarding Financial Statements. The Committee shall consider whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.
9. SEC Reports. The Committee shall prepare an annual committee report for inclusion, where necessary, in the proxy statement of the Company relating to its annual meeting of securities holders and in such other reports as the Committee shall deem necessary or advisable pursuant to applicable SEC rules.
10. Auditor Review of Interim Financial Statements. The Committee shall direct the independent auditor to use its best efforts to perform all reviews of interim financial information prior to disclosure by the Company of such information and to discuss promptly with the Committee and the Chief Financial Officer of the Company any matters identified in connection with the independent auditor's review of interim financial information which are required to be discussed by applicable accounting standards. The Committee shall direct the Company's management to advise the Committee in the event that the Company proposes to disclose interim financial information prior to completion of the independent auditor's review of such information.
11. Earnings Releases. The Committee shall discuss generally the type and presentation of information to be disclosed in the Company's earnings press

releases, as well as financial information and earning guidance provided to analysts, rating agencies and other third-parties. The Committee shall approve all press releases containing financial information regarding the Company prior to dissemination.

12. Management's Discussion and Analysis. The Committee shall discuss with the Company's management and the independent auditor the Company's financial statements, including the Company's disclosures in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of filings made by the Company pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

### Controls & Procedures

13. Oversight. The Committee shall coordinate the Board's oversight of, and ensuring compliance with, the Company's internal control over financial reporting and disclosure controls and procedures. The Committee shall receive and review the reports of the Chief Executive Officer and Chief Financial Officer of the Company required by Rule 13a-14 of the Exchange Act.
14. Compliance. The Committee shall oversee the Company's Code, and the compliance work of the Company's Compliance Officer ("CO"). The Committee shall have the power to direct management to conduct audits on compliance, legal, and/or regulatory concerns, and shall be able to direct whether it should be the direct recipient of the results of such an audit. At least annually, the Committee shall convey to the Company's directors, officers, and employees that a commitment to legal and regulatory compliance is part of their compensation and performance reviews. The Committee shall receive reports at least quarterly from the CO regarding the state of the Company's legal and regulatory compliance functions, including its training program. The Committee shall receive a report from the CO whenever the CO has determined that it appears that a violation of federal or state law or the Company's Code has occurred, is occurring, or is likely to occur, or whenever the CO is notified that any regulatory agency has opened an investigation into the Company. The Committee shall receive a report from the CO about any investigations into a potential violations, and the results of any such investigations. If audits are performed on third-party agents and distributors related to compliance with their agreements with the Company, or compliance with applicable laws and regulations, the Committee shall receive reports of such audits. At least annually, the Committee and the CO will review, and if necessary make recommendations to the Board for improvement of: (i) the Company's procedures for the receipt, retention and consideration of reports or evidence of violations of applicable federal or state law, (ii) the training accorded directors, officers and employees, (iii) the effectiveness of the Company's compliance function, (iv) the Insider Trading Policy, and (v) the Code.

15. Procedures for Complaints and Concerns. Together with the Nominating and Corporate Governance Committee of the Board of Directors, the Committee shall be responsible for establishing policies and procedures regarding (a) the receipt, retention and treatment of complaints and concerns received by the Company regarding accounting, financial statement or other disclosure, internal accounting or disclosure controls or auditing matters, and (b) the confidential, anonymous submission of any such complaints or concerns by employees of the Company.
16. Related Person Transactions. The Committee shall review the Company's policies and procedures for reviewing and approving or ratifying transactions required to be disclosed pursuant to Item 404 of Regulation S-K ("Related Person Transactions"), including the Company's Related Person Transaction Policy, and recommend any changes to such policy to the Board. The Committee shall review all Related Person Transactions for potential conflicts of interest on an ongoing basis, but not less than annually, in accordance with the Company's Related Person Transaction Policy, and shall be responsible for the approval and ratification of all such transactions.
17. Internal Audit. The Committee shall coordinate the Board's oversight of the Company's internal audit function (if any).
18. Hiring. The Committee shall establish policies and procedures regarding the hiring of employees or former employees of the Company's independent auditor.
19. Risk Management. The Committee shall review and discuss the Company's policies and processes with regard to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled, and recommend any changes to such guidelines and policies to the Board.

#### General

20. Investigations. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request that any officer, employee, or advisor of the Company meet with the Committee or any advisors engaged by the Committee.
21. Reports to Board. The Committee shall report regularly to the Board.
22. Charter. The Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
23. Evaluation of Committee. The Committee shall evaluate its own performance on an annual basis, including compliance with this Charter, and provide any

written material with respect to such evaluation to the Board along with any recommendations for changes in procedures or policies governing the Committee.

### **Delegation of Duties**

The Committee shall be permitted to delegate any or all of its responsibilities to one or more subcommittees of the Committee (including a subcommittee consisting of a single member) to the extent consistent with this Charter, the Company's certificate of incorporation and bylaws, applicable law, and the rules of the NASDAQ Stock Market and such other markets in which the Company's securities trade. Any decision of a subcommittee to pre-approve audit, audit-related, tax or permitted non-audit services shall be presented to the full Committee as its next scheduled meeting.