

LONE STAR STEAKHOUSE & SALOON, INC.

AUDIT COMMITTEE CHARTER

Organization

This charter governs the operations of the Audit Committee (the "Committee"). The Committee shall review and reassess this charter at least annually and obtain the approval of the Board of Directors (the "Board"). The Committee shall be appointed by the Board and shall be comprised of at least three directors, each of whom shall be independent as defined by applicable NASDAQ rules and regulations. In general, members of the Committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company. All Committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have accounting or related financial management expertise.

Statement of Policy

The Committee shall provide assistance to the Board in fulfilling their oversight responsibility to the stockholders, potential stockholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, and management of the Company in discharging its oversight role. The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent

auditors are responsible for auditing those financial statements. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring responsibilities of the Committee. The responsibilities are set forth as a guide with the understanding that the Committee may supplement them as appropriate including any changes required by them to carry out its duties, including those required by changes in the policies of the NASDAQ National Market.

The responsibilities of the Committee shall include:

1. Directly overseeing and compensating the independent auditors;
2. Reviewing this charter on an annual basis and updating it as conditions dictate;
3. Providing oversight and monitoring of Company management, and the independent auditors and their activities with respect to the Company's financial reporting process;
4. Reviewing and recommending to the Board on an annual basis, the selection of the Company's independent auditors, subject to stockholder approval;
5. Under its ultimate authority, evaluating and, where appropriate, replacing the independent auditors;
6. Discussing with the independent auditors the overall scope and plans for their audit including their approach and independence, and discussing with the Company's accounting department the adequacy of staffing;
7. Discussing with management, the Company's accounting department and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs;
8. Reviewing the performance of the independent auditors with the understanding of both management and the independent auditors, that the independent auditors are ultimately accountable to the Board and the Committee, as representatives of the Company's shareholders;

9. **Requesting from the independent auditors a formal written statement delineating all relationships between the auditor and the Company, consistent with Independent Standards Board Standard No. 1, and engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors;**
10. **Reviewing the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q;**
11. **Discussing with the Company's independent auditors the matters required to be discussed by statement on Accounting Standard No. 61, as it may be modified or supplemented;**
12. **Reviewing with management and the independent auditors, the financial statements to be included in the Company's Annual Report on Form 10-K, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements;**
13. **Providing a report in the Company's proxy statement in accordance with the requirements of Item 306 of regulation S- K and Item 7(d)(3) of Schedule 14A;**
14. **Discussing the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards;**
15. **Discussing the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards;**
16. **Reviewing the Committee's own structure, processes and membership requirements;**
17. **Establishing procedures to receive and respond, on a confidential basis, to complaints (from employees and others) regarding the Company's accounting, internal accounting controls and audit matters;**
18. **Have the authority to approve, in advance, all non-audit services to be provided to the Company by the independent auditors;**
19. **Have the authority to consult with and retain legal, accounting and other experts in connection with the performance of its duties and responsibilities; and**

20. **Performing such other duties as may be requested by the Board, or as the Committee shall deem appropriate.**

Meetings

The Committee will meet a minimum of four (4) times each fiscal year, with two face-to-face meetings with the outside auditors or more frequently as circumstances dictate in order to completely discharge its responsibilities as outlined in this charter. The Committee may establish its own schedule, which it will provide to the Board in advance.

The Committee will meet separately with the independent auditors as well as members of the Company's management as it deems appropriate in order to review the financial controls of the Company.

Minutes

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

Reports

Apart from the report prepared pursuant to Item 306 of Regulation S-K and Item 7(d)(3) of Schedule 14A, the Committee will summarize its examinations and recommendations to the Board from time to time as may be appropriate, consistent with this charter.