

Diversified Restaurant Holdings, Inc.

Charter of the Audit Committee of the Board of Directors

I. Purpose

The Audit Committee is established by the Board of Directors for the primary purpose of assisting the Board in overseeing the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the internal accounting and disclosure controls, and the internal audit functions.

The Audit Committee serves a board level oversight role where it oversees the relationship with the independent auditor, as set forth in this Charter. The Audit Committee should provide an open avenue of communication among the independent auditor, financial and senior management, the internal auditing function, and the Board of Directors.

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisers as it deems appropriate to perform its duties and responsibilities. The Committee relies on: management for the preparation and accuracy of the Company's financial statements; both management and the Company's internal audit department/management for establishing effective internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Company's independent auditors for an unbiased, diligent audit or review, as applicable, of the Company's financial statements and the effectiveness of the Company's internal controls. The members of the Committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor and to any advisers that the audit committee chooses to engage.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities listed in Section III of this Charter. The Audit Committee will report to the Board of Directors periodically regarding the performance of its duties.

II. Composition and Meetings

Composition

The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors. No member of the Audit Committee shall be an employee or paid consultant for the Company. Each member of the Committee shall be independent in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the NASDAQ Stock Market LLC. Each member of the Audit Committee shall be free from any

relationship (including compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, and have a working familiarity with basic finance and accounting practices. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

Appointment and Removal

The members of the Audit Committee shall be designated by the Board of Directors annually, and shall serve until such member's successor is duly designated or until such member's earlier resignation or removal. Any member of the Audit Committee may be removed, with or without cause, by a majority vote of the Board.

Unless a chairperson or vice-chairperson is elected by the full Board, the members of the Audit Committee may designate a chairperson and a vice-chairperson by majority vote of the full Audit Committee membership. The chairperson shall chair the meetings of the Audit Committee that he or she attends, and may set the agenda for the meetings of the Audit Committee.

Meetings

The Audit Committee shall ordinarily meet at least four times annually, or more frequently as circumstances dictate.

- Any member of the Audit Committee may call a meeting of the Audit Committee.
- As part of its job to foster open communication, the Audit Committee should meet periodically with management, the internal audit manager and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.
- The Audit Committee shall meet in executive session, absent members of management, at least twice a year, and on such terms and conditions as the Audit Committee may elect.
 - Such executive sessions may be held in conjunction with regular meetings of the Audit Committee.

III. Responsibilities and Duties

To fulfill its responsibilities and duties the Audit Committee shall:

Documents, Reports, and Accounting Information Review

1 Review this Charter at least annually, and recommend to the Board of Directors any changes to this Charter that the Audit Committee considers necessary or appropriate.

2. Review and discuss with management the Company's annual and quarterly financial statements and related disclosures, and all internal control reports (or summaries of the reports).

3. If there is to be an earnings press release, review, or have a member of the Audit Committee review, the earnings press release with management, including review of any "proforma" or "adjusted" non-GAAP information.

Independent Auditor

4. Have the sole authority and responsibility to select, evaluate, determine compensation of, and where appropriate, replace the independent auditor. The independent auditor shall report directly to the Audit Committee. The Audit Committee shall review the performance of the independent auditor at least annually and make determinations regarding the appointment or termination of the independent auditor. The Audit Committee shall oversee the resolution of disagreements between management and the independent auditor in the event that they arise.

5. On an annual basis, review and discuss with the independent auditor all significant relationships the auditor has with the Company to determine the auditor's independence. The Audit Committee shall consider whether the auditor's performance of permissible non-audit services is compatible with the auditor's independence.

6. Review with the independent auditor any problems or difficulties that the independent auditor brings to the attention of the Audit Committee and management's response. Review with the independent auditor the results of the annual financial statement audit and any audit or report relating to the Company's internal controls. Hold discussions at which the independent auditor may discuss with the Audit Committee the following:

- all critical accounting policies and practices
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
- other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
- review with the auditor as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements and related disclosures.

7. At least annually, inquire of the independent auditor regarding:

- the firm's internal quality control procedures;
- any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the

preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and

- all relationships between the independent auditor and the Company, in order to assess the auditor's independence. This communication should also be documented in writing in the independent auditor's PCAOB AS 16 letter to the Audit Committee at the conclusion of each audit.

8. Review and preapprove both audit and permissible non-audit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the Audit Committee with any such preapproval reported to the Audit Committee at its next regularly scheduled meeting.

9. Review hiring policies, compliant with any governing laws or regulations, for employees or former employees of the independent auditor, and consider the impact on the independent auditor's independence from the Company.

Financial Reporting Processes and Accounting Policies

10. In consultation with the independent auditor and the internal auditors, review the integrity of the organization's financial reporting processes (both internal and external), the internal control structure.

11. To review and discuss with the Company's independent auditors (a) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process, (b) the overall audit strategy, (c) the scope and timing of the annual audit, (d) any significant risks identified during the auditors' risk assessment procedures and (d) when completed, the results, including significant findings, of the annual audit.

12. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.

13. Review analyses prepared by management (and the independent auditor as noted in item 7 above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

14. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

15. To review with management, and the Company's independent auditors the adequacy and effectiveness of the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedures and any special audit steps adopted in light of any material

control deficiencies, and any fraud involving management or other employees with a significant role in such processes, controls and procedures, and review and discuss with management and the Company's independent auditors disclosure relating to the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, the independent auditors' report on the effectiveness of the Company's internal control over financial reporting and the required management certifications to be included in or attached as exhibits to the Company's annual report on Form 10-K or quarterly report on Form 10-Q, as applicable.

16. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.

17. To review and discuss with the Company's independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16, Communications with Audit Committees.

18. To review and discuss with the Company's independent auditors and management the Company's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual report on Form 10-K before the Form 10-K is filed.

19. To recommend to the Board that the audited financial statements and the MD&A section be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement.

20. To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed.

21. To review and discuss with management and the Company's independent auditors: the Company's earnings press releases, including the type of information to be included and its presentation and the use of any pro forma or adjusted non-GAAP information, before their release to the public; and any financial information and earnings guidance provided to analysts and ratings agencies, including the type of information to be disclosed and type of presentation to be made.

22. To establish and oversee procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

23. Review and approve all transactions that are entered into between the Company, or any of its subsidiaries, and one or more affiliates or related persons (within the meaning of Item 404 of Regulation S-K issued by the Securities and Exchange Commission), including

determining whether the transactions are on terms no less favorable to the Company and its subsidiaries than could be obtained from an unaffiliated third party.

Other Responsibilities

24. Annually, perform a self-assessment relative to the Audit Committee's purpose, duties and responsibilities.

Approved by the Board of Directors on July 28, 2014