

THE STEAK N SHAKE COMPANY AUDIT COMMITTEE CHARTER

Organization

There shall be a committee of the Board of Directors of The Steak n Shake Company (the "Company") to be known as the Audit Committee. The Audit Committee shall be composed of at least three (3) directors. Each member of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and applicable rules of the Securities and Exchange Commission (the "SEC"). At least one member of the Committee shall be a "financial expert" as such term is defined by the SEC. One member of the Committee shall serve as Chair of the Committee. The Chair shall be responsible for organizing and coordinating the activities of the Committee in discharging the responsibilities set forth in this Charter.

The members and the Chair of the Audit Committee shall be appointed or removed by the Board on the recommendation of the Nominating and Corporate Governance Committee. Audit Committee members may be replaced by the Board. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

Statement of Purpose

The Audit Committee shall provide assistance to the corporate directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to the Company's financial statements, the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, and the annual independent audit of the Company's financial statements. The Audit Committee shall also ensure that risks posing a threat to successful achievement of the Company's strategic goals are managed by Management, who is responsible for establishing and operating the risk management framework on behalf of the Board. Specifically, the Audit Committee shall assist the Board of Directors in its oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of the Company's internal audit function and independent auditor, and (5) Enterprise Risk Management. In so doing, it is the responsibility of the Audit Committee to maintain free and open communication among the directors, the independent auditor, the internal auditors, and the financial management of the corporation.

The Audit Committee shall prepare, or cause to be prepared, and shall in any event approve the report required by SEC rules to be included in the Company's annual proxy statement.

Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to

attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

Authority and Responsibilities

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to ensure that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

The Audit Committee shall have the sole authority and responsibility to retain and terminate the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the appointment, compensation, evaluation and oversight of the work of the independent auditor, including resolution of disagreements between management and the independent auditor. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate and without seeking Board approval, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

In carrying out these responsibilities, the Audit Committee will:

Retention of Independent Auditor and Preapproval of Audit and Non-audit Services

- Annually retain the independent auditor to audit the financial statements of the Company and its divisions and subsidiaries, determine the fees payable to the independent auditor and any other terms of the engagement and, where necessary, discharge the independent auditor.
- Consider and preapprove, as required by applicable laws and regulations, all auditing services and permitted non-audit services proposed to be provided to the Company by the independent auditor. The Committee may delegate the authority to grant preapprovals to one or more designated members of the Committee provided that any preapproval granted by a designated member shall be presented to the full Committee at its next scheduled meeting.

Oversight of the Company's Relationship with the Independent Auditor

- At least annually, obtain and review a report by the independent auditor describing the following: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, 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 independent auditor, and any steps taken to deal with such issues; and (to assess the independent auditor's independence) all relationships between the independent auditor and the Company.
- Review and evaluate the lead partner of the independent auditor team.
- Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by Section 10A(j) of the Exchange Act.
- Consider, on an annual basis, whether to retain the independent auditing firm.
- Discuss with the national office of the independent auditor issues on which it was consulted by the Company's audit team and matters of audit quality and consistency.
- Meet with independent auditor prior to the audit to discuss the planning and staffing of the audit.
- Review accounting and financial human resources and succession planning within the Company. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the pressures that may exist for auditors seeking a job with a company they audit.

Financial Statement and Disclosure Matters

- Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Discuss with management and the independent auditor major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
- Review and discuss with management and the independent auditor prior to the filing of the Company's quarterly reports on Form 10-Q, the Company's interim financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards. The Chair of the Committee may represent the entire Committee for the purpose of the quarterly review.
- Review and discuss quarterly reports from the independent auditor on:
 - a. all critical accounting policies and practices to be used;
 - b. 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;
 - c. other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- Discuss guidelines and policies to govern the process by which the Company assesses

and manages its exposure to financial risk. Discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

- Review the disclosures made by the Company's CEO and CFO during their certification process for the Form 10-K and Forms 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Oversight of the Company's Internal Audit Function

- Approve the appointment and removal of the Chief Audit Executive with the consultation of the CEO.
- Review the significant reports to management prepared by the internal auditing department and management's responses.
- Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
- Review with the Board the performance of the Company's internal audit function.
- Approve the compensation and annual evaluation of the Chief Audit Executive.

Compliance Oversight Responsibilities

- Obtain from the independent auditor assurance that the provisions of Section 10A(b) of the Exchange Act respecting the detection and reporting of illegal acts have not been implicated.
- In accordance with applicable regulations, establish procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Obtain reports from management, the Company's Chief Audit Executive and, if applicable, the independent auditor, that the Company is in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Review reports and disclosures of related person and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.

- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.
- Investigate any matter brought to its attention within the scope of its duties.
- Carry out such other duties that may be delegated to it by the Board of Directors from time to time.
- As contemplated by the Company's Code of Business Conduct and Ethics, the Audit Committee shall review and approve or ratify all related person transactions in which any executive officer, director, director nominee or 5% or greater shareholder of the Company, or any of their immediate family members, have a direct or indirect material interest. A related person transaction shall not be approved unless it is in, or not inconsistent with, the best interests of the Company, and, where applicable, if the terms of such transaction are not at least as favorable to the Company as could be obtained from an unrelated third party.

Oversight of Enterprise Risk Management

While specific risks (such as, but not limited to financial risk, various operational risks and reputational risk) are addressed by Management through specific internal controls, programs and policies (to include, but not limited to entity-level controls, insurance policies, corporate health and safety programs, and various compliance programs), the Board has overall responsibility for ensuring that risks are managed. The Audit Committee of the Board of Directors has oversight responsibilities for the establishment, development and implementation of an enterprise risk management program; whereas Management is responsible for establishing and operating the risk management framework on behalf of the Board.

Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.