

Diversified Restaurant Holdings, Inc. (the “Company”)

**Charter for the Compensation Committee
of the Board of Directors**

I. Purpose

The purpose of the Compensation Committee (the “Committee”) is to assist the Board of Directors (the “Board”) in carrying out its responsibilities relating to the review and determination of compensation and benefits for the Company’s directors, officers, and employees.

II. Composition and Meetings

Composition and Membership Requirements

The Committee shall be comprised of two or more Independent Directors, as that term is defined under Nasdaq Rule 5605(a)(2) and IM-5605. No member of the Committee shall accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof. Compensatory fees do not include fees received as a member of the Committee, the Board of Directors, or any other Board committee. Compensatory fees also do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company, provided that such compensation is not contingent in any way on continued service. No member of the Committee shall be an employee or paid consultant for the Company, and each member of the 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 Committee.

Appointment and Removal

The members of the Committee are appointed by the Board of Directors. Each member shall serve until his or her successor is duly designated or until the member’s earlier resignation or removal. The Board may remove any member from the Committee at any time, with or without cause, by a majority vote of the Board. Unless a chairperson is designated for the Committee by the Board, the members of the Committee may designate a chairperson by majority vote of the Committee membership. In determining whether a director is eligible to serve on the Committee, the Board shall consider whether the director is affiliated with the Company, a subsidiary of the Company, or an affiliate of a subsidiary of the Company to determine whether such affiliation would impair the director’s judgment as a member of the Committee.

Meetings and Operations

The Committee shall meet as often as necessary to carry out its responsibilities. Any member of the Committee may call a meeting of the Committee. The chairperson shall chair the meetings of the Committee that he or she attends. The Committee may establish its own rules and procedures for notice and conduct of its meetings; however, such rules and procedures shall be consistent with the Bylaws of the Company and with applicable law.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall also meet without such members present, and in all cases the chief executive officer and any other such executive officers shall not be present at meetings at which executive officer compensation or performance is to be discussed or determined.

III. Responsibilities and Authority

1. The Committee is responsible for reviewing and approving the goals and objectives relating to the compensation of the Company's executive officers and may recommend such goals and objectives to the Board of Directors for approval.

2. The Committee is responsible for determining, or recommending to the Board of Directors for determination, all elements of compensation for executive officers of the Company. Elements of compensation may include, among other items: (a) annual base salary; (b) annual cash incentive compensation; (c) cash-based and equity-based long-term incentive compensation; (d) employment agreements, severance arrangements, and change in control agreements or provisions; (e) deferred compensation and retirement plans; (f) health, disability, and life insurance; and (g) special or supplemental benefits.

3. At least annually, the Committee shall evaluate the performance of the Company's executive officers. Such evaluation shall include consideration of the officer's performance in light of the goals and objectives relating to compensation that have previously been approved by the Committee and/or the Board of Directors. The Committee, in its sole discretion, may also evaluate the performance of other officers and employees of the Company. The Committee will recommend to the Board of Directors, for the Board's determination, the annual base salaries for the executive officers of the Company. In evaluating and determining executive officer compensation, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

4. At least annually, the Committee shall review the compensation of the Company's directors, including cash-based and equity-based compensation and benefits, and shall review the Company's guidelines, if any, for director ownership of Company stock. The Committee has authority to make changes to the cash compensation provided to directors, or the Committee may forego exercising such authority and instead recommend such changes to the Board of Directors for approval. The Committee may from time to time make awards to directors under the Company's equity-based and non-equity-based incentive plans then in effect, to the extent provided in such plans.

5. The Committee may from time to time take such actions as it deems appropriate to administer the Company's equity and non-equity incentive plans then in effect, to the extent provided in such plans. The Committee may also take such actions as it deems appropriate in connection with any 401(k) plans of the Company or its subsidiaries.

6. The Committee shall have the authority, in its sole discretion, to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate.

7. The Committee shall have authority to review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement.

8. The Committee shall have authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal counsel, or other adviser (a "Compensation Adviser"). The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any Compensation Adviser retained by the Committee. The Board and the Company shall be required to provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Compensation Adviser retained by the Committee. The Committee may select, or receive advice from, a Compensation Adviser, other than in-house legal counsel, only after taking into consideration the following six independence factors:

- (i) the provision of other services to the Company by the person that employs the Compensation Adviser;
- (ii) the amount of fees received from the Company by the person that employs the Compensation Adviser, as a percentage of the total revenue of the person that employs the Compensation Adviser;
- (iii) the policies and procedures of the person that employs the Compensation Adviser that are designed to prevent conflicts of interest;
- (iv) any business or personal relationship of the Compensation Adviser with a member of the Committee;
- (v) any stock of the Company owned by the Compensation Adviser; and
- (vi) any business or personal relationship of the Compensation Adviser or the person employing the Compensation Adviser with an executive officer of the Company.

The Committee shall not be required to implement or act consistently with the advice or recommendations of the Compensation Adviser, and the retention of such a Compensation Adviser shall in no way affect the ability or obligation of the Committee to exercise its own

judgment in fulfillment of its duties. The Committee may select, or receive advice from, any Compensation Adviser the Committee prefers, including Compensation Advisers that are not independent, but only after considering the six independence factors outlined above.

The Committee shall evaluate whether any Compensation Adviser retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

9. The chairperson of the Committee or another of its members shall report the actions and recommendations of the Committee to the full Board of Directors.

10. The Committee shall review annually the adequacy of this Charter and thereafter recommend any proposed changes to the Board of Directors for approval. Additionally, the Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Approved by the Board of Directors on March 7, 2013.