

THE HABIT RESTAURANTS, INC. BOARD OF DIRECTORS
GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES

SELECTION AND COMPOSITION OF BOARD OF DIRECTORS

Size of the Board

Our charter and by-laws provide that the board of directors (the “Board”) consist of not less than 3 nor more than 15 directors with the exact number determined from time to time by resolution of the directors. We believe a board should neither be too small to maintain the needed expertise and independence nor too large to be efficiently functional. Our general expectation is that our Board will consist of approximately 7 directors, although we periodically review the appropriate size and mix of the Board in light of our stated objectives below.

Selection of New Directors

The Board should be responsible for selecting its own members for election by the stockholders. The Board should also be responsible for identifying and reviewing candidates for director positions, with direct input from the Chairman of the Board (the “Chairman”) and the Chief Executive Officer.

Board Membership Criteria

The Board is responsible for reviewing from time to time the appropriate skills and characteristics required of board members in the context of the current make-up of the Board. It is the policy of our Board that directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our investors. It is also the policy of our Board that the composition of the Board at all times adhere to the standards of independence promulgated by the NASDAQ Stock Market (“NASDAQ”) and as further clarified below under “*Director Independence*” and reflect a range of talents, ages, skills and diversity, particularly in the areas of accounting and finance, management, domestic and international markets, leadership and corporate governance and the restaurant industry, sufficient to provide sound and prudent guidance with respect to the operations and interests of The Habit Restaurants, Inc. (the “Company”).

We also require that each Board member be able to dedicate the time and resources sufficient to ensure the diligent performance of his or her duties on our behalf, including attending all Board and applicable committee meetings. In general, the Company does not have a policy limiting the number of other public company boards of directors upon which a Board member may sit. However, the Board shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member. Although the Company does not impose a limit on outside directorships, it does recognize the substantial time commitments attendant to membership on the Board and expects that the members of the Board be fully committed to devoting all such time as is necessary to

fulfill their accompanying responsibilities, both in terms of preparation for, and attendance and participation at, meetings.

Director Independence

The Board believes that as a matter of policy at least a majority of the members of our Board should be independent. The Board will determine the independence of a director according to the definitions “independent director” included in pertinent listing standards of NASDAQ and other relevant laws, rules and regulations.

In addition to the above independence requirements, the members of the Audit Committee must also satisfy additional independence requirements, as mandated in the rules codified in the NASDAQ Listing Rules.

Non-Independent Directors

The Board is willing to have members of senior management, in addition to our Chief Executive Officer, and other individuals who may not meet the above definition of independence, as directors. In addition, the Board believes that it may be beneficial to the discharge of their duties as directors for managers that do not serve on the Board to nonetheless attend Board meetings on a regular basis. It is understood, however, that all matters of corporate governance will be decided by the independent directors in consultation with the Chairman and in compliance with all applicable rules and regulations.

Selection of Chairman

The bylaws of the Company currently provide that we may have a chairman (or co-chairmen) of the Board, at the discretion of the Board. It is our current policy that our Chief Executive Officer shall serve as chairman of the Board. The Board recognizes that there may be circumstances in the future that would lead it to separate these offices, although it does not believe there is any reason to do so at this time. The Board believes that this issue is primarily a matter of the succession planning process and that it is in the best interest of the Company for the Board to make this determination when it elects a new Chief Executive Officer or at such other times that it believes is best for the Company at a given point in time.

Directors Who Change Their Present Job Responsibility

It is the sense of the Board that directors who retire or otherwise change from the principal occupation or background association they held when they were originally invited to join our Board should volunteer to resign from the Board. The Board does not believe that directors who retire or otherwise change from the principal occupation or background association they held when they were originally invited to join our Board should necessarily leave the Board. There should, however, be an opportunity for the Board to review the continued appropriateness of that director’s membership under the circumstances.

The Board also believes that each outside director should advise it in advance of accepting an invitation to serve as a member on another for-profit board of directors.

It is assumed that if and when the Chief Executive Officer resigns from such office that he or she should also offer his or her resignation from the Board. Whether that individual continues to serve on the Board is a matter for discussion between the Board and the incumbent Chief Executive Officer at that time.

Director Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of requiring the loss of the contributions of directors who over time have developed increasing insight into the Company and its operations and industry and therefore provide an increasing contribution to the Board as a whole.

The Board, in consultation with the Chairman and Chief Executive Officer, will review each director's continuation on the Board every five years. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

Retirement Policy

The Board has adopted a retirement policy for its directors. Under this policy, directors, other than the Chief Executive Officer, who are also employees of the Company must resign from the Board at the same time they retire from employment with the Company. Other directors must retire from the Board at the Annual Meeting of Shareholders following their seventy-fifth (75th) birthday.

BOARD COMPENSATION AND PERFORMANCE

Board Compensation Policy and Stock Ownership

The Board shall have the responsibility for reviewing and recommending the compensation and benefits for non-employee directors. It is appropriate for the Board from time to time to review the status of director compensation in relation to other comparable companies in the United States and other companies operating in comparable industries. An executive officer of the Company serving as a member of the Board shall not receive additional compensation for their service as director.

The proposed changes in director compensation, if any, should come with full discussion and concurrence by the entire Board.

Evaluation of Board Performance

The Board shall, at least annually, evaluate its overall performance. If the Board so desires, it may be assisted by an outside consultant in making its assessment of the overall performance of the Board. The report should be delivered following the end of each fiscal year and should be discussed with the full Board at the same time, if applicable, as Board membership criteria is discussed.

The report will include an evaluation of, among other things, (i) composition and independence of the Board, (ii) access to and review of information from management, (iii) responsiveness of the Board to investor concerns and (iv) maintenance and implementation of these corporate governance guidelines.

The evaluation should be of the contribution of the Board as a whole and should specifically review areas in which the Board and/or management believes a better contribution could be made. The purpose of the evaluation is to increase the effectiveness of the Board, not to target individual directors.

Orientation and Continuing Education

The Board has a complete orientation and continuing education process for directors consisting of background written material on the Company, meetings with and presentations by senior management, tours of the restaurant facilities and training on their fiduciary responsibilities and liabilities.

Interaction with Institutional Investors, Press, Customers, Etc.

The Board believes that management speaks for the Company. Our individual non-management Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that these members would do this with the knowledge of management and, in most instances, at the request of management.

MEETINGS OF THE BOARD OF DIRECTORS

Scheduling and Selection of Agenda Items for Board Meetings

The Chairman, in consultation with other members of the Board, will determine the frequency and length of Board meetings. It is the sense of the Board that regular meetings at appropriate intervals are in general desirable for the performance of their responsibilities. In addition to regularly scheduled meetings, additional unscheduled meetings may be called upon appropriate notice at any time to address any special needs.

The Chairman will establish the agenda for each Board meeting and distribute it in advance to Board members. Each director is free to suggest the inclusion of items on an agenda, to raise at any Board meeting subjects that are not on the agenda for that meeting or to request the presence of or a report by any member of management. For so long as the Chief Executive Officer is also Chairman, a contact director should be specified for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the Chief Executive Officer. During at least one Board meeting each year, the Board will be presented the long-term strategic plan for the Company and the principal issues that it expects to face in the future.

Board Material and Presentations

Information and data that is important to the understanding of the business and matters to be considered at any Board meeting should be distributed in writing and in advance to Board

members. As a general rule, materials on specific subjects should be sent to the Board members sufficiently in advance so directors will be prepared to discuss questions that they may have about the material.

The Board encourages management to schedule managers to present at Board meetings who (i) can provide additional insight into the specific matters being discussed because of personal involvement in these areas or (ii) have future potential that management believes should be given exposure to the Board.

Participation in Board Meetings

We expect our Board members to rigorously prepare for, attend and participate in all Board and applicable committee meetings. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with their service as a director.

Access to Management, Employees and Advisors

Each director is encouraged to keep himself informed of the affairs of the Company between Board meetings through direct contact with employees, members of senior management or outside advisors and each director will have complete access to any such employee, member of senior management or outside advisor. It is expected that any such contact will be coordinated through the Chairman and Chief Executive Officer and that each director will use judgment to assure that such access is not distracting to the business operation of the Company.

Meetings of the Non-Management Directors

It is the policy of the Board to have a separate meeting session for the non-management directors periodically during regularly scheduled Board meetings to review matters concerning the relationship of the Board with the management directors and other members of senior management and such other matters as it deems appropriate. The non-management directors shall not take any formal actions at these meetings, although they may subsequently recommend matters for full consideration by the Board.

The Board has not formally selected a director to preside at all meetings of non-management directors. Instead, at meetings of the non-management directors, the non-management directors will designate a chair for each meeting. In order to allow interested parties the opportunity to make their concerns known to these non-management directors, the Board has established a procedure for these parties to communicate directly with the non-management directors.

COMMITTEES OF THE BOARD OF DIRECTORS

Number of Committees

Our Board will establish committees from time to time to facilitate and assist in the execution of its responsibilities. These committees shall generally address issues that, because of

their complexity and technical nature, level of detail and time requirements or because of proper corporate governance principles cannot be adequately addressed at larger Board meetings.

We currently have two committees, which include the Compensation Committee and the Audit Committee. As a “controlled company”, we are not required to maintain a nominating and corporate governance committee under NASDAQ rules. We have opted to allow our entire Board to recommend director nominees. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances. The Company complies with all requirements of NASDAQ relating to the constitution of key committees, including requirements relating to the independence of committee members. We expect that, within one year of our listing on NASDAQ, we will have a fully independent Audit Committee, as determined by NASDAQ and SEC rules.

Each standing committee shall have a written charter of responsibilities and authorities that shall be periodically reviewed by the Board. We have made the charter for each of our Compensation and Audit Committees publicly available on our web site for review by our investors.

Assignment and Term of Service of Committee Members

The Board is responsible for the appointment of committee members and committee chairs, taking into account the desires of individual members and the suggestions of the Chairman. It is expected that each committee chair will have had previous service on the applicable committee. In making such appointments, the Board shall consider the rotation of committee membership and chairmanship at appropriate intervals, although the Board does not believe that rotation should be mandated as a policy.

Frequency and Length of Committee Meetings and Committee Agendas

The committee chair, in consultation with the other committee members, will determine the frequency and length of committee meetings and, in consultation with the Chairman, develop agendas for committee meetings. The agendas and meeting minutes of the committees will be shared with the full Board. Any director that is not a member of a particular committee may attend any committee meetings with the concurrence of the committee chair.

LEADERSHIP DEVELOPMENT

Formal Evaluation of Chief Executive Officer

The independent directors should make this evaluation annually, and the evaluation should be communicated to the Chief Executive Officer by such independent directors. The Chief Executive Officer shall not be present during such evaluation.

The evaluation should be based on clearly articulated criteria, including performance of the business, accomplishment of long-term strategic objectives and development of senior management.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

Succession Planning and Management Development

The Chief Executive Officer shall review succession planning and management development with the Board on an annual basis. This succession planning includes the development of policies and principles for selection of the Chief Executive Officer, including succession in the event of an emergency.