

PEGASUS SOLUTIONS, INC.
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. Audit Committee Purpose

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Pegasus Solutions, Inc. (the “Company”) is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to (i) monitor the integrity of the Company’s financial statements, financial reporting processes and systems of internal controls regarding finance, accounting and legal compliance, (ii) select and appoint the Company’s independent auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company’s independent auditors, and establish the fees and other compensation to be paid to the independent auditors, (iii) establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company’s employees, regarding accounting, internal controls or auditing matters, and (iv) provide an avenue of communication among the independent auditors, management and the Board of Directors.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as officers and employees of the Company. The Committee has the authority to retain, at the Company’s expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

II. Audit Committee Composition and Meetings

The Committee shall be comprised of three or more directors appointed by the Board on the recommendation of the Corporate Governance Committee, each of whom shall be independent, non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. Committee members shall meet the independence and experience requirements of the Securities and Exchange Commission and the Nasdaq National Market (as may be modified or supplemented). All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements at the time of their appointment to the Committee, and at least one member of the Committee shall have accounting related financial management expertise and qualify as a “financial expert” in accordance with the requirements of the Securities and Exchange Commission and the Nasdaq National Market (as may be modified or supplemented).

Committee members shall be appointed by the Board. If a Committee Chair is not designated by the Board or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall meet privately, as necessary, in executive session at each meeting with management, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.

III. Audit Committee Responsibilities and Duties

Review Procedures

1. The Committee shall review the Company's annual audited financial statements and attendant press release prior to filing or release. The review shall include discussion with management and the independent auditors of significant issues regarding critical accounting issues, accounting principles, practices and judgments, including, without limitation, a review with the independent auditors of any auditor report to the Committee required under the rules of the Securities and Exchange Commission (as may be modified or supplemented). The review shall also include review of the independence of the independent auditors (see item 8 below) and a discussion with the independent auditors of the conduct of their audit (see item 9 below). Based on such review the Committee shall determine whether to recommend to the Board that the annual audited financial statements be included in the Company's Annual Report filed under the rules of the Securities and Exchange Commission.
2. Prior to filing or release the Committee shall be provided each of the Company's quarterly financial statements and attendant press releases and, where practicable, shall review them with financial management and the independent auditors and consider any significant findings of the independent auditors. Prior to filing or release, the Committee shall also be provided all other financial press releases and financial related filings with the Securities and Exchange Commission and, where practicable, shall review them with financial management.
3. In consultation with management and, the independent auditors, the Committee shall consider the integrity of the Company's financial reporting processes and controls. The Committee shall discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures and review significant findings prepared by the independent auditors together with management's responses. The Committee shall review any significant changes to the Company's auditing and accounting policies and resolve disagreements, if any, between management and the independent auditors.

4. The Committee shall review and reassess the adequacy of this Charter at least annually and submit the Charter to the Board of Directors for approval and cause the Charter to be approved at least once every three years in accordance with the regulations of the Securities and Exchange Commission and the Nasdaq National Market (as may be modified or supplemented).

Independent Auditors

5. The Company's independent auditors are directly accountable to the Committee and the Board of Directors. The Committee shall review the independence and performance of the independent auditors, annually appoint the independent auditors and approve any discharge of auditors when circumstances warrant.
6. The Committee shall approve the fees and other significant compensation to be paid to the independent auditors.
7. The Committee shall approve the independent auditors' annual audit plan, including scope, staffing, locations and reliance upon management and internal audit department.
8. On an annual basis, the Committee shall review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence. Such review should include receipt and review of a report from the independent auditors regarding their independence consistent with Independence Standards Board Standard I (as may be modified or supplemented). All engagements for non-audit services by the independent auditors must be approved by the Committee prior to the commencement of services. The Committee may designate a member of the Committee to represent the entire Committee for purposes of approval of non-audit services, subject to review by the full Committee at the next regularly scheduled meeting. The Company's independent auditors may not be engaged to perform prohibited activities under the Sarbanes-Oxley Act of 2002, the rules of the Public Company Accounting Oversight Board, the Securities and Exchange Commission, or the Nasdaq National Market (as may be modified or supplemented).
9. Prior to filing or releasing annual financial statements, the Committee shall discuss the results of the audit with the independent auditors, including a discussion of the matters required to be communicated to audit committees in accordance with SAS 61 (as may be modified or supplemented).
10. The Committee shall obtain from the independent auditors assurance that, as prescribed by Section 10A of the Securities and Exchange Act, they have not detected nor have they become aware of any illegal act.

11. The Committee shall consider the independent auditors' judgment about the quality and appropriateness of the Company's accounting principles and critical accounting estimates as applied in its financial reporting.
12. The Committee shall review the independent auditor's management letter and recommendations (or any audit problems, difficulties or disagreements) and management's response.

Internal Controls and Legal Compliance

13. The Committee shall review activities of the Company's internal controls function, plans, procedures and results, and coordination with independent auditors and shall regularly review the continued overall effectiveness of the internal controls function as required under relevant law and the Nasdaq National Market rules (as may be modified or supplemented).
14. On at least an annual basis, the Committee shall review with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

15. The Committee shall annually prepare the report to shareholders as required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
16. The Committee shall review and approve all related-party transactions.
17. The Committee shall establish and maintain a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, that provides for the confidential, anonymous submission of complaints or concerns by employees of the Company relating to these matters and the prohibition of any retaliatory action by the Company resulting from such submission.
18. The Committee shall perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate, or as required by law, regulations of the Securities and Exchange Commission or the Nasdaq National Market.
19. The Committee shall maintain minutes of its meetings and periodically report to the Board on its activities.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, which is the responsibility of management and the independent auditors. It is also the responsibility of management to assure compliance with laws and regulations and the Company's corporate policies with oversight by the Committee in the areas covered by this Charter.

This Charter was approved, as amended, on the 7th day of December 2004.