

CHARTER OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of Hot Topic, Inc. (the “Company”) shall consist of at least three independent members of the Board of Directors and shall be charged with the following functions:

1. To recommend annually to the full Board the firm of certified public accountants to be employed by the Company as its independent auditors for the ensuing year.
2. To review and pre-approve the engagement of the independent auditors, including the scope, extent and procedures of the audit and the compensation to be paid therefore, and all other matters the Committee deems appropriate.
3. To have familiarity, through the individual efforts of its members, with the accounting and reporting principles and practices applied by the Company in preparing its financial statements including without limitation the policies for recognition of revenues in financial statements.
4. To review with the senior management of the Company and the independent auditors, upon completion of the quarterly reviews and year-end audit, financial results for the quarters and full year, as reported in the Company's financial statements, supplemental disclosures to the Securities and Exchange Commission or other disclosures.
5. To assist and interact with the independent auditors in order that they may carry out their duties in the most efficient and cost effective manner.
6. To evaluate the cooperation received by the independent auditors during their audit examination, including their access to all requested records, data and information, and elicit the comments of management regarding the responsiveness of the independent auditors to the Company's needs.
7. To review the Company's financial statements for each quarterly period, and any changes in accounting policy that have occurred during the quarterly period.
8. To review and pre-approve those professional services allowed within the scope of the Sarbanes-Oxley Act of 2002 to be provided to the Company by its independent auditors and consider the possible effect of such services on the independence of such auditors.
9. To review director and officer insurance policies and provide the Board of Directors with recommendations as to any proposed modifications.
10. To ensure receipt from the independent auditors of a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independent Standards Board Standard 1, to actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and to take, or recommend that the Board take, appropriate action to oversee the independence of the auditors.
11. To consult with the independent auditors and discuss with the senior management of the Company the scope and quality of internal accounting and financial reporting controls in effect.
12. To investigate, review and report to the Board the propriety and ethical implications of any transactions, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board or otherwise, between (a) the Company and (b) any employee, officer or member of the Board of the Company, or any affiliates of the foregoing.
13. Review with the internal audit partner, the audit scope, plan, budget and results of the internal auditors. Address the coordination of external and internal audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources. Ensure that internal auditors have access to all information required to complete their audit objectives.

14. To perform such other functions and have such power as may be necessary or convenient in the efficient and lawful discharge of the foregoing.

15. To report to the Board from time to time, or whenever it shall be called upon to do so.

16. To adopt and review a code of ethics for all Company senior officers.

17. To establish procedures for receiving and treating complaints regarding accounting and auditing matters, including claims from those who wish to remain anonymous.

Minutes of each meeting of the Audit Committee shall be prepared and distributed to each director of the Company promptly after each meeting.

The operation of the Audit Committee shall be subject to the Bylaws as in effect from time to time and Section 311 of the California Corporations Code.