

Board Amended: January 17, 2005

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee is established by the Board of Directors ("Board") to assist the Board in its oversight of:

- The integrity of the Shuffle Master, Inc. (the "Company") financial statements,
- The independent auditors' performance, qualifications and independence,
- The performance of the Company's internal audit function, and
- The Company's system of disclosure controls and procedures as well as internal controls over financial reporting.

The function of the Audit Committee is oversight. The Audit Committee should also provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing function, and the Board.

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor, to any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The Audit Committee has the authority to conduct any investigation it deems appropriate, with full access to all books and records, facilities, personnel and outside advisors of the Company. The scope of the Audit Committee's authority shall be broadly interpreted to ensure that it is able to fulfill its responsibilities and duties. The Audit Committee will report regularly to the Board regarding the execution of its duties and responsibilities.

COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors (as defined by all applicable rules and regulations of the Nasdaq Stock Market, Inc. and the U.S. Securities and Exchange Commission), and free from any relationship (including disallowed 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 Audit Committee. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices. Without limitation, each member shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience, or background so as to qualify such director as an "audit committee financial expert" in compliance with the criteria established by the Securities and Exchange Commission ("SEC") and other relevant regulations. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC. Committee members are encouraged to enhance their familiarity with finance and accounting by participating in educational programs, including those conducted by the Company or outside consultants.

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. Each regularly scheduled meeting shall conclude with an executive session of the Audit Committee absent members of management and on such terms and conditions as the Audit Committee may elect. The Audit Committee shall also meet periodically with management, the director of internal audit and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee shall meet quarterly with the independent auditors and management to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's periodic filings with the SEC.

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RESPONSIBILITIES AND DUTIES

The Audit Committee shall have the following responsibilities and other responsibilities assigned to it by the Board from time to time:

Accounting Information Review and Reports

1. Review and discuss with management and the independent auditors the Company's annual financial statements and Form 10-K prior to its filing. Such review to include items required by SAS 61 or other applicable laws and regulations.
2. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K.
3. Review and discuss with management and independent auditors the Company's quarterly financial statements and Form 10-Q prior to its filing. Such review to include items required under SAS 100 or other applicable laws and regulations.
4. Review earnings press releases and other press releases related to the Company's financial condition and results of operations with management prior to their release.
5. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
6. Review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of SEC Regulation S-K and Section 403 of the Sarbanes-Oxley Act of 2002.
7. Review reports to management prepared by the internal audit department and management's responses.

Financial Reporting Processes, Internal Control Structure, and Compliance

8. Receive and review any disclosure from the Company's CEO or CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of:
 - (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and
 - (ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
9. In consultation with management, internal audit staff, and the independent auditors, consider the integrity of the Company's financial reporting process and the effectiveness of the internal control structure, and any special audit steps adopted in light of material control deficiencies.
10. On a periodic basis, and at least annually, review with the Company's general counsel any legal or compliance matters that could have a material impact on the Company's financial statements.

Independent Auditors

11. Sole authority to appoint, compensate, retain, and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Evaluate the performance and independence of the independent auditors and remove the independent auditors if circumstances warrant. The independent auditors shall report directly to the Audit Committee, and the Audit Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.
12. Review and discuss with the independent auditors all significant relationships they have with the Company and receive a written statement, at least annually, from the auditors as to their independence that identifies all relationships between the independent auditor and the Company consistent with Independence Standards Board Standard No. 1. Consider whether the auditors' performance of permissible non-audit services is compatible with the auditors' independence.
13. Review the independent auditors' attestation and report on management's internal control report, as required by applicable laws and regulations. Hold timely discussions with management and the independent auditors regarding the following:
 - (i) All critical accounting policies and practices,
 - (ii) 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,

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- (iii) Other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
 - (iv) An analysis of the auditors' judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
14. Review the experience and qualifications of the lead partner and other senior members of the independent audit team each year. Assure regular rotation of the lead audit partner and the reviewing audit partner in accordance with applicable rules and regulations. Consider whether there should be rotation of the independent audit firm itself.
 15. At least annually, obtain and review a written report by the independent auditor describing:
 - (i) The firm's internal quality control procedures;
 - (ii) Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - (iii) All relationships between the independent auditor and the Company.
 16. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take, or recommend that the Board take, appropriate actions to oversee the independence of the outside auditor.
 17. Review and pre-approve both audit and non-audit services to be provided by the independent auditor (other than with respect to de minimis exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the Audit Committee with any such pre-approval reported to the Audit Committee at its next regularly scheduled meeting. Approval of non-audit services shall be disclosed in periodic reports as required by Section 13(a) of the Securities Exchange Act of 1934.
 18. Review the independent auditors audit plan including scope, staffing, reliance upon management and general audit approach.

Internal Audit

19. Review and advise on the selection and removal of the internal audit director.
20. Review activities, performance, organizational structure, and qualifications of the internal audit function.
21. Annually review and recommend changes (if any) to the internal audit charter.
22. Periodically review with the internal audit director any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

Other Responsibilities

23. Set hiring policies, compliant with governing laws or regulations, for employees or former employees of the independent auditor.
24. Prepare the report that the SEC requires be included in the Company's annual proxy statement.
25. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.
26. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.
27. Review this Charter, at least annually, and recommend to the Board any necessary amendments as conditions dictate. Publish this Charter in the Company's annual proxy statement as required by applicable laws and regulations.
28. Conduct an annual performance assessment relative to the Audit Committee's purpose, duties, and responsibilities outlined herein.
29. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.