

USMD Holdings, Inc.
Audit Committee Charter

Committee Purpose

The audit committee's principal responsibility is to perform oversight of the financial reporting process on behalf of the Board of Directors, stockholders, and, as applicable, creditors and the investing public. The scope of its responsibility entails serving as the focal point for communication between the Board of Directors, outside auditors and management.

Membership and Meetings

1. The audit committee of the Board of Directors shall consist of at least two members. The committee's composition shall meet the requirements of the listing standards of the NYSE Amex Stock Exchange or the NASDAQ Capital Market, the Securities and Exchange Commission and applicable policies of the Board of Directors.

2. The members of the Committee will be appointed by and serve at the pleasure of the Board. Each member shall be appointed to a one-year term, with reappointment to be determined by the Board.

3. The audit committee shall meet at least four times each year with authority to convene additional meetings as circumstances require. The committee should meet during the audit planning phase to review the scope and details of the audit and approve the audit fee, as well as at the conclusion of the audit to review the audit opinion, the recommendations of the outside auditor and any situations involving irregularities or weaknesses in internal control structure. These meetings may be held in conjunction with, or in addition to, meetings held in fulfilling the committee's duties and responsibilities as delineated below.

4. An audit committee quorum should consist of a majority of its members. All actions of the committee should be subject to majority vote unless there are only two members present in which case such actions require a unanimous vote. Voting should be conducted verbally and the results should be recorded in the minutes.

5. The committee will provide a report of audit committee activities to the Board at regular intervals.

Duties and Responsibilities

Managing the Relationship with the Outside Auditor

6. The outside auditor is accountable to the Board and the audit committee. The committee has sole responsibility to select, evaluate and where appropriate replace the outside auditor.

7. The committee has responsibility for overseeing the independence of the outside

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auditor. Annually, the committee will obtain from the independent auditor a formal written statement delineating all relationships between the auditor and the company. Additionally, the committee will discuss all disclosed relationships with the outside auditor and, as necessary, management. Appropriate action, if necessary, will be recommended to the Board.

8. The committee will review and approve the scope and fees for the annual audit with the outside auditor (and any requests for subsequent revisions in scope and fees) and review the experience and qualifications of senior members of the audit team and the firm's quality control procedures.

9. The committee shall have sole authority to approve all non-audit related services provided by the outside auditor.

10. The committee shall approve, in advance, the hiring of any employees of the outside auditor for senior financial positions within the company.

Overseeing Internal Control and Financial Disclosure

11. The outside auditor shall be required to conduct a formal review of the quarterly financial statements prior to filing each Form 10-Q and to review their findings and conclusions with the committee, including any applicable matters as described in SAS No. 61, as amended.

12. Annually, prior to filing Form 10-K, the committee will discuss with the outside auditor the results of its annual audit, including their findings, conclusions and matters as described in SAS No. 61, as amended. The committee will review with management and the outside auditor the "Management's Discussion and Analysis" section of the annual report to stockholders, and the auditor's responsibility for the other information in documents containing financial statements, any audit procedures performed on this information and the results thereof.

13. Quarterly, prior to filing each Form 10-Q and annually prior to filing Form 10-K, the committee will review with management and the outside auditor all significant issues concerning litigation, contingencies, off balance sheet structures, claims, assessments, complex or unusual transactions, highly judgmental areas and accounting issues that require disclosure in the financial statements. The review should include a discussion of recent FASB or other regulatory agency pronouncements and initiatives that may have a material impact on the organization or its financial statements.

14. The committee will establish procedures for the receipt, retention and treatment of complaints and the confidential and anonymous submission by employees regarding questionable accounting or auditing practices.

15. The committee shall review and approve all related party transactions consistent with the definition of related party in SEC Regulation S-K, Item 404(a) that defines required financial disclosures concerning certain relationships and related transactions with management and others covering transactions greater than \$120,000.

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16. The committee will monitor instances where management seeks second opinions on significant accounting matters.

17. The committee will review management's evaluation of the adequacy of the organization's internal control structure and the extent to which major recommendations made by the outside auditor have been implemented.

18. The committee will review the audit results of governmental and regulatory agencies and independent accountants engaged for specific purposes. Additionally, the committee will review with management any correspondence with regulators regarding the company's financial statements or accounting policies.

19. The committee will be empowered to hire independent legal counsel and such other advisors as it determines are necessary to assist it in discharging its duties.

20. The committee will direct and supervise the investigation into any matter as deemed necessary to discharge its duties and responsibilities. In connection with such investigation, the audit committee shall have the authority to employ outside counsel, accountants or consultants at the company's expense and have access to all books, records, facilities and personnel of the company.

Annual Proxy Report

21. The committee will provide a report in the annual proxy statement, followed by the names of all committee members, stating whether the committee:

- (i) reviewed and discussed the audited financial statements with management;
- (ii) discussed with the outside auditor the matters requiring discussion by SAS 61, as amended;
- (iii) received the written disclosures and letter from the outside auditor required by Independence Standards Board No. 1, and discussed with the auditor their independence; and
- (iv) based on the above, recommended to the full board that the audited financial statements be included in the company's Annual Report on Form 10-K

Annual Assessments

22. The committee will review and reassess the audit committee charter annually and recommend modifications to the Board as needed.

23. The committee will conduct an annual evaluation of its performance.

Notwithstanding the foregoing, it is not the duty of the committee to (1) conduct audits, (ii) take any steps, other than those described above, to determine that the company's financial statements are complete and accurate, (iii) conduct investigations, (iv) resolve disagreements between

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management and the outside auditor or (v) assure compliance with laws and regulations.

Funding

The Board of Directors will provide adequate funding for the committee to discharge its duties and responsibilities, including the engagement of outside auditors, independent legal counsel and other experts engaged by the committee.