

Lone Star Steakhouse & Saloon and CalPERS Announce Settlement Of Class Action and Derivative Lawsuit

Sacramento, CA/Wichita, KS (June 1, 2005). Lone Star Steakhouse & Saloon, Inc. (“Lone Star” or the “Company”) (NASDAQ: STAR) and the California Public Employees Retirement System (“CalPERS”) announced today that they had entered into a Stipulation of Settlement agreement relating to the settlement of the class action and derivative lawsuit brought by CalPERS against Lone Star.

The settlement, which is subject to court approval, resolves all claims raised by the parties in litigation. As part of the Stipulation of Settlement, the parties agreed to release each other from any and all current and future claims related to the litigation. CalPERS’s Chief Investment Officer, Mark Anson, stated, “We are pleased that Lone Star has taken actions to improve their corporate governance profile and we believe that the Company’s focus on good governance has resulted in substantially improved financial performance at the Company.” Lone Star’s Chairman, William B. Greene, Jr., stated, “We are pleased to have this lawsuit behind us and are proud of the corporate governance profile that Lone Star has maintained. Putting this era behind us will allow the Lone Star team to focus on what it does best, which is running successful chains of steakhouse restaurants.”

The settlement was facilitated by the Company's implementation of certain corporate governance initiatives since the filing of the lawsuit which included the addition of 3 independent directors, the expiration of certain change of control contracts for senior executives, the elimination of the Company's poison pill and the requirement for stockholder approval to reprice stock options. As part of the settlement, certain of the Company’s current and former directors agreed to reprice certain stock options or personally make payments to the Company which, upon the exercise of the stock options, would result in additional proceeds to the Company of approximately \$4.7 million. Lone Star’s insurance carrier will also make a payment of \$3 million.