

Aames Investment Corporation

Audit Committee Charter

1. Name.

- 1.1 There will be a committee of the Board of Aames Investment Corporation (the “Company”, which will be called the Audit Committee.

2. Purpose.

2.1 The Audit Committee will be directly responsible for the appointment, compensation and oversight of the Company’s public accountants.

2.2 The Audit Committee will monitor (1) the integrity of the Company’s financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the public accountants’ qualifications and independence and (4) the performance of the Company’s internal audit function and public accountants.

2.3 The Audit Committee will prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company’s annual proxy statement.

3. Committee Membership.

3.1 The Audit Committee will consist of no fewer than three members. Each member of the Audit Committee must satisfy the independence, experience and financial expertise requirements of the New York Stock Exchange and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder. Directors’ fees are the only compensation that an Audit Committee member may receive from the Company.

3.2 The Board of Directors will appoint the Audit Committee members annually, considering the recommendation of the Nominating and Governance Committee, and further considering the views of the Chairman of the Board and the Chief Executive Officer, as appropriate. The Audit Committee members will serve until their successors are appointed and qualified, and will designate a Chairman of the Audit Committee. The Board will have the power at any time to change the membership of the Audit Committee and to fill vacancies, subject to such member(s) satisfying the independence, experience and financial expertise requirements referred to above. Except as expressly provided in this Charter or the Company’s Bylaws or the Company’s Corporate Governance Guidelines, or as otherwise provided by law or the rules of the New York Stock Exchange, the Audit Committee will fix its own rules of procedure.

4. **Committee Authority and Responsibilities.**

4.1 The Audit Committee will have the sole authority to appoint or replace the public accountants – subject, if applicable, to shareholder ratification – and will approve all audit engagement fees and terms and all non-audit engagements with the public accountants. The Audit Committee will consult with management but will not delegate these responsibilities, except that pre-approvals on non-audit services may be delegated. The Audit Committee will be directly responsible for the oversight of the public accounting firm – including resolution of disagreements between management and the public accounting firm regarding financial reporting – for the purpose of preparing or issuing an audit report or related work. The public accounting firm will report directly to the Audit Committee.

4.2 The Audit Committee will have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties, and to conduct or authorize investigations into any matters within the scope of its responsibilities. The Company will provide appropriate funding, as determined by the Audit Committee, for compensating the independent auditor for rendering or issuing an audit report or performing other audit, review or attest services. The Company will also provide appropriate funding, as determined by the Audit Committee, for compensating any advisors employed by the Audit Committee, and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties. The Audit Committee will meet periodically with management, the internal auditors and the registered public accountants in separate executive sessions in furtherance of its purposes.

4.3 The Audit Committee may request any officer or employee of the Company or the Company’s outside counsel or public accountants to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

4.4 The Audit Committee will make regular reports to the Board. The Audit Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee will annually review its own performance.

4.5 In performing its functions, the Audit Committee will undertake those tasks and responsibilities that, in its judgment, would most effectively contribute to and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee in carrying out its oversight responsibility:

A. Review and discuss with management and the public accountants the Company’s annual audited financial statements, including disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of

Operations.” Review and discuss with management and the public accountants the matters required to be discussed under Statement on Auditing Standards No. 61, and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K.

B. Review and discuss with management and the public accountants the Company’s quarterly financial statements, including disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or similar disclosures. Review and discuss with management and the public accountants the matters required to be discussed under Statement on Auditing Standards No. 61, prior to filing its Form 10-Q, including the results of the registered public accountants’ review of the quarterly financial statements to the extent applicable.

C. Review and discuss with management and the public accountants, as applicable:

(1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles, and major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies;

(2) analyses prepared by management or the public accountants setting forth significant financial reporting issues and judgments made in connection with preparing financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

(3) any management letter provided by the public accountants and the Company’s response to that letter;

(4) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the public accountants’ activities or on access to requested information and management’s response thereto;

(5) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company’s financial statements; and

(6) earnings press releases – paying particular attention to any use of “pro forma” or “adjusted” non-GAAP information – as well as financial information and earnings guidance, generally on a case-by-case basis, provided to analysts and rating agencies.

D. Discuss with management the Company’s major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company’s risk assessment and risk management policies.

E. Evaluate the qualifications, performance and independence of the public accountants, including a review and evaluation of the lead partner of the registered public accountant, taking into account management and the Company's internal auditors' opinions. Obtain and review a report from the public accountants at least annually regarding:

(1) the registered public accountants' internal quality-control procedures;

(2) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(3) any steps taken to deal with any such issues; and

(4) all relationships between the public accountants, and the Company.

F. Ensure that the lead partner of the public accountants and audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002, and further consider rotation of the public accountant firm itself.

G. Recommend to the Board policies for the Company's hiring of employees or former employees of the public accountants who were engaged on the Company's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief accounting officer to have participated in the Company's audit as an employee of the public accountants during the preceding one-year period).

H. Discuss with the public accountants any communications between the audit team and audit firm's national office regarding auditing or accounting issues presented by the engagement.

I. Discuss with management and the public accountants any accounting adjustments that were noted or proposed by the registered public accountants but were passed on as immaterial or otherwise.

J. Discuss with the public accountants prior to the audit the planning and staffing of the audit.

K. Establish procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls

or auditing matters and (2) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

L. Review disclosures made by the Company's principal executive officer(s) and principal financial officer(s) regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002, and the rules enacted thereunder, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.

M. Meet with management to ascertain the Company's compliance with applicable legal requirements and code of conduct and/or ethics for employees.

N. Review any reports of the registered public accountants mandated by Section 10A of the Securities Exchange Act of 1934 and obtain from the registered public accountants any information with respect to illegal acts in accordance with Section 10A.

O. Ensure that the Company maintains an internal audit function.

5. Internal Audit Department, Legal Compliance and Other Responsibilities

5.1 Review the appointment and replacement of the senior internal auditing executive.

5.2 Review the Annual Audit Plan, changes in plan, scope of activities, organizational structure, and qualifications of the internal audit department, as needed. Review Internal Audit Department budget, responsibilities and staffing.

5.3 Review the Tier 1 audit reports rated below satisfactory prepared by the internal auditing department and management's responses.

5.4 Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's code of conduct, as applicable.

5.5 Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

5.6 Review with the Company's General Counsel an annual compliance report regarding adherence to state and federal regulatory issues.

5.7 Meet at least annually with the chief financial officer, the senior internal auditing executive and the independent auditor in separate executive sessions.

6. **Limitations of Audit Committee's Roles**

The Audit Committee has the responsibilities and powers set forth in its Charter. However, it is not the duty of the Audit Committee to prepare financial statements, plan or conduct audits or to determine that the Company's financial statements and disclosures are complete, accurate and in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the registered public accountants.