

# CENTEX CORPORATION

## Amended and Restated Audit Committee Charter

### 1. General.

The Audit Committee of Centex Corporation (the "Committee") has been designated by the Board of Directors (the "Board") of Centex Corporation (the "Company") to assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of the Company's internal audit function and independent auditors.

The Committee shall have and may exercise all the powers of the Board, except as may be prohibited by law, with respect to all matters encompassed by this Amended and Restated Audit Committee Charter (the "Charter"), and shall have all the power and authority required under (i) the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted by the Securities and Exchange Commission (the "SEC") thereunder as in effect and as modified from time to time (collectively, the "Sarbanes-Oxley Act") and (ii) the corporate governance and other listing standards of the New York Stock Exchange (the "NYSE") as in effect from time to time (the "NYSE Standards").

In addition to its specific responsibilities regarding the engagement of the independent auditors, the Committee shall serve in a board-level oversight role in which it will provide counsel and direction to management and the Company's independent auditors on the basis of the information it receives, discussions with management and the independent auditors, and the experience of the Committee's members in business, financial and accounting matters.

### 2. Membership.

The Committee shall consist of at least three persons, all of whom are members of the Board. Each member of the Committee shall be a person the Board has determined satisfies the independence requirements set forth in (i) Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules adopted by the SEC thereunder as in effect from time to time and (ii) the applicable NYSE Standards, as determined by the Board.

Each member of the Committee shall be a person the Board has determined is "financially literate" within the meaning of the NYSE Standards, as such term is interpreted by the Board in its business judgment, or shall become "financially literate" within a reasonable period of time after appointment to the Committee. In addition, at least one member of the Committee shall be a person the Board has determined has "accounting or related financial management expertise" within the meaning of the NYSE Standards, as such qualification is interpreted by the Board in its business judgment. Furthermore, unless the Board determines that it is not necessary for an "audit committee financial expert" to serve on the Committee, at least one member of the Committee shall be a person the Board has determined is an "audit committee financial expert" within the meaning of Item 401(h) of SEC Regulation S-K.

No member of the Committee shall serve as a member of the audit committee of more than two public companies other than the Company unless permitted under the NYSE Standards and approved by the Board. In addition, if a member of the Committee serves as a member of the audit committee of another public company (or companies), such member shall deliver a written statement to the Board and

the Committee on an annual basis describing the time commitment required in order for such member to serve on the audit committee of such other public company (or companies) and any expected changes in such time commitment during the next year.

The Board shall designate the members of the Committee, on the recommendation of the Corporate Governance and Nominating Committee, at the Board meeting (the "Annual Board Meeting") that is held immediately after the annual meeting of the stockholders of the Company, and each Committee member shall serve until the date of the next Annual Board Meeting, unless he or she resigns, is removed or replaced or otherwise ceases to be a director or a member of the Committee prior to such date, in which event the Board may or (if the Committee would otherwise have fewer than three members) shall designate another director of the Company to fill the resulting vacancy for his or her unexpired term. Furthermore, if for any reason the Board does not designate the members to the Committee at an Annual Board Meeting, the directors who then comprise the Committee will continue to serve as members of the Committee until the Board takes action to designate new members of the Committee. The Board may remove or replace a member of the Committee at any time.

### **3. Internal Governance and Procedures.**

The Board shall designate one member of the Committee to act as chairperson of the Committee (the "Chairperson"). Such member shall act as Chairperson until the next Annual Board Meeting unless he or she resigns, is removed or replaced or otherwise ceases to be a director or a member of the Committee prior to such date, in which event the Board shall appoint another member of the Committee to serve as Chairperson for his or her unexpired term. The Chairperson shall preside over all meetings of the Committee. In addition, the Chairperson shall participate in periodically reporting the Committee's findings and conclusions to the Board. The Board may remove or replace the Chairperson at any time.

The Committee may establish such rules of procedure as it determines to be necessary or appropriate to conduct its business, including rules regarding notice of meetings, quorum, voting, preparation of agendas and distribution of materials, so long as such rules do not contravene the provisions of the By-Laws, the Sarbanes-Oxley Act, the NYSE Standards, other corporate governance guidelines applicable to the Committee or the express provisions of this Charter. In the absence of contrary procedures, (a) a majority of the members of the Committee shall constitute a quorum, unless the Committee is comprised of an equal number of members, in which case one-half of the members of the Committee shall constitute a quorum, and (b) the act of a majority of the members of the Committee in attendance at a meeting at which a quorum is present shall constitute the act of the Committee.

The Committee shall meet as often as it determines, but not less than four times annually. The Committee may invite such persons, in addition to the members of the Committee, as it deems appropriate to attend all or part of any meetings. The Committee shall maintain minutes of its meetings and written records of its actions. The Committee shall be authorized to meet, as frequently as it determines is necessary or appropriate, with the Company's director of internal audit, the Chief Financial Officer of the Company, the Chief Accounting Officer of the Company and other members of management, and the independent auditors in separate executive sessions to discuss any matters that the Chairperson or any other member of the Committee believes should be discussed privately.

To the extent permitted by the NYSE Standards and applicable legal requirements, the Committee may delegate specified duties and responsibilities of the Committee to a subcommittee consisting of members of the Committee that is created by a vote of a majority of the members of the Committee. Without limiting the foregoing, the Committee may delegate to a subcommittee or to any of its members the authority to grant pre-approval of audit and permissible non-audit services in accordance with Section

4(b) below. Any decision of a subcommittee or member made pursuant to any authority delegated by the Committee shall be reported to the full Committee at its next scheduled meeting. Any subcommittee of the Committee shall be governed by such procedures as the Committee shall determine from time to time.

The Committee, in carrying out its responsibilities, shall review its internal procedures periodically in order to best react to changing conditions and circumstances.

#### **4. Duties, Responsibilities and Processes.**

The following shall be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

a. **General.** The Committee shall perform the duties and responsibilities of an audit committee as contemplated by the Sarbanes-Oxley Act, the NYSE Standards and this Charter, and shall provide to the Board such other assistance as the Board shall request in connection with the general oversight of the Company's financial reporting, legal and regulatory compliance, internal control and audit functions.

b. **Independent Auditors.** The Committee shall be directly responsible for the appointment, retention and, where appropriate, replacement (in each case, subject to stockholder ratification if the Board determines that seeking such ratification is necessary or appropriate) of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (any such registered public accounting firm being referred to herein as the "independent auditors"). The Committee shall also be directly responsible for the compensation and oversight of the work of the independent auditors, and shall have the ultimate authority to approve all audit engagement fees and terms. The independent auditors shall report directly to the Committee, and are ultimately accountable to the Board and the Committee, as opposed to the Company's management.

Without limiting the foregoing, the Committee shall have the duty and responsibility to:

(i) meet with the independent auditors prior to the audit to review the planning and staffing of the audit, and ensure that the Committee or members thereof are available to the independent auditors of the Company as requested;

(ii) obtain and review, at least annually, a report by the independent auditors (the "Quality Control Report") regarding (1) the independent auditors' internal quality-control procedures, (2) any material issues raised by the most recent internal quality-control review, peer review, or Public Company Accounting Oversight Board review of the independent auditors, or raised 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 independent auditors, (3) any steps taken to deal with any such issues, and (4) (to assess the auditor's independence) all relationships between the independent auditors and the Company;

(iii) evaluate the independent auditors' qualifications and performance, including (1) considering whether the independent auditors' quality controls are adequate in light of the disclosures made in the Quality Control Report, (2) reviewing and evaluating the capabilities and performance of the lead partner of the independent auditor and considering whether rotation of any of the audit partners is appropriate, and (3) taking into account the opinions of management and the Company's internal auditors; and present the conclusions of such evaluation to the Board;

(iv) evaluate the information regarding the independence of the independent auditors contained in the Quality Control Report, together with the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, and engage in discussions with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and present the conclusions of such evaluations and discussions to the Board;

(v) obtain, review and discuss at least annually reports from the independent auditors regarding:

- all critical accounting policies and practices to be used;
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and
- other material written communications between the independent auditors and management, such as any management letter provided by the independent auditors and management's response to that letter, any management representation letter, any reports on observations and recommendations on internal controls, any schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any, and any engagement letters;

(vi) discuss with the independent auditors the matters required to be communicated by the independent auditors pursuant to Statement on Auditing Standards No. 61, as amended, relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work and management's response and any restrictions on the scope of activities or access to requested information and any significant disagreements with management;

(vii) pre-approve all audit, review or attest engagements and pre-approve all permissible non-audit services, including the fees and terms thereof, provided by the independent auditors (subject to, and in compliance with, the *de minimis* exceptions for certain non-audit services set forth in Section 10A(i)(1)(B) of the Exchange Act and the rules and regulations adopted thereunder, which services must promptly be brought to the attention of the Committee and approved by the Committee prior to completion of the audit);

(viii) confirm the regular rotation of the audit partners as required by law;

(ix) establish hiring policies for the Company's employment of employees or former employees of the independent auditors;

(x) obtain from the independent auditors assurance that, except as disclosed to the Committee by management or the independent auditors, the independent auditors have complied with their obligations to identify and report fraud in connection with their audit of the financial statements of the Company, in accordance with Section 10A(b) of the Exchange Act; and

(xi) consider and review with management, the independent auditors and the Company's internal auditors in accordance with SEC rules:

- the Company's annual assessment of the effectiveness of its internal controls and the independent auditor's attestation and report on the Company's assessment;
- the adequacy of the Company's internal controls;
- any related significant findings and recommendations of the independent auditors and the internal auditors together with management's response; and
- any other matters the Committee may determine from time to time.

c. ***Financial Statements and Financial Reporting Processes.*** The Committee shall provide such assistance as the Board shall request in connection with the general oversight of the integrity of the Company's financial statements and financial reporting. Without limiting the foregoing, the Committee shall:

- (i) review and discuss with management and the independent auditors:
  - the Company's annual audited financial statements, as well as the specific disclosures made in management's discussion and analysis of financial condition and results of operations accompanying such financial statements, prior to the filing of the Company's Annual Report on Form 10-K;
  - the Company's quarterly financial statements, as well as disclosures made in management's discussion and analysis of financial condition and results of operations accompanying such financial statements, prior to the filing of the Company's Quarterly Reports on Form 10-Q, including any matters provided in Statement on Auditing Standards No. 100 arising in connection with the Company's quarterly financial statements;
  - major issues regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles, any major issues concerning the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
  - analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, if necessary, including analyses of the effects of alternative methods of generally accepted accounting principles on the financial statements; and
  - the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements, if necessary or appropriate;
- (ii) recommend to the Board whether the Company's annual audited financial statements and accompanying notes should be included in the Company's Annual Report on Form 10-K;
- (iii) prepare and approve the audit committee report as required by the SEC to be included in the Company's proxy statement for the annual meeting (or in the Company's Annual Report on Form 10-K if required to be included therein);

(iv) review the disclosures that the Company's chief executive officer and chief financial officer make to the Committee and the independent auditors in connection with the certification process for the Company's Reports on Form 10-K and Form 10-Q concerning any significant deficiencies or weaknesses in the design or operation of internal control over financial reporting and any fraud that involves management or other employees who have a significant role in the Company's internal control over financial reporting;

(v) discuss in advance with management the Company's practice with respect to the types of information to be disclosed and the types of presentations to be made in earnings press releases (including the use, if any, of "pro forma" or "adjusted" non-GAAP financial measures), as well as financial information and earnings guidance provided to analysts and rating agencies. Review any relevant items with management prior to release of any such press releases or earnings guidance. The review shall be with the Chairperson of the Committee or the full Committee, as may be appropriate;

(vi) discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, as well as the Company's policies and guidelines concerning risk assessment and risk management;

(vii) review with management and the independent auditors the function, responsibilities, budget and staffing of the internal auditors, including the appointment or replacement of the senior internal auditing executive, and any recommended changes in the planned scope of the internal audit; and

(viii) review periodic reports from management with respect to related party transactions and review potential conflict of interest situations, where appropriate.

d. **Complaints.** The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including any so-called "whistleblower" complaints, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

e. **Other Responsibilities.** The Committee shall also:

(i) make regular reports to the Board;

(ii) review with the Company's Chief Legal Officer, legal, disclosure or other matters that may have a material effect on the financial condition or results of operations of the Company or its compliance policies and any material reports or inquiries received from regulators, governmental agencies or other third parties regarding matters relating to or affecting the duties or responsibilities of the Committee;

(iii) conduct or authorize investigations into such matters within the Committee's scope of responsibilities as the Committee shall deem appropriate;

(iv) obtain reports from management, the Company's senior internal auditing executive and the independent auditors, as necessary, concerning the Company's subsidiaries/foreign affiliated entities' compliance with applicable legal requirements and *The Centex Way* or any other code of conduct adopted by the Company; and

(v) advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with *The Centex Way*.

f. ***Certain Limitations.*** It is the responsibility of the Company's management to prepare consolidated financial statements that are complete and accurate and in accordance with generally accepted accounting principles, and it is the responsibility of the Company's independent auditors to audit those financial statements. The Committee's responsibility in this regard is one of oversight and review. The Committee does not provide any expert or other special assurance as to such financial statements.

Although the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to initiate or conduct investigations unless directed to do so by the Board, or to assure compliance with applicable laws or regulations or *The Centex Way* or any other code of conduct adopted by the Company or other policies and procedures. Furthermore, the manner in which such responsibilities and powers are to be exercised should be determined by the Committee in light of the circumstances and conditions existing from time to time. In many cases, the Committee will discharge its responsibilities through evaluating information and reports presented or otherwise given to the Committee by the Company's management, internal auditors and independent auditors. Members of the Committee are not required to assume the functions or responsibilities of full-time employees of the Company or of experts in the fields of accounting or auditing.

#### **5. Engagement of Advisers; Funding.**

The Committee shall have the authority to engage and obtain advice and assistance from such independent counsel and other advisers as the Committee determines to be necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for the payment of (i) compensation to any independent auditors for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, (ii) compensation to any counsel or other advisers engaged by the Committee as provided above, and (iii) the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

#### **6. Annual Review of Charter and Performance Evaluation of the Committee.**

The Committee shall review and reassess at least annually the adequacy of this Charter and shall recommend any changes it deems appropriate to the Board. The Committee shall annually review the Committee's own performance. In addition, the Board shall conduct an annual performance evaluation of the Committee. After completing its annual performance evaluation of the Committee, the Board or a representative thereof shall review such evaluation or a summary thereof with the members of the Committee.

Amended and Restated on  
May 12, 2005