

## **CHAMPION ENTERPRISES, INC.**

### **AUDIT AND FINANCIAL RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS**

#### **CHARTER**

##### **Organization**

There shall be a committee of the Board of Directors to be known as the Audit and Financial Resources Committee. The Audit and Financial Resources Committee shall be comprised of non-management directors who are independent of the management of the Corporation and are free of any relationship that, in the opinion of the Board of Directors, may interfere with their exercise of independent judgment as a Committee member. The Committee shall consist of at least three members. Members of the Committee shall be appointed annually by the Board of Directors at its annual meeting or as necessary to fill vacancies in the interim. Committee members may be removed by the Board in its discretion. The Board shall designate one of the Committee members as chairman. Each Committee member shall be financially literate and at least one member of the Committee shall be an “audit committee financial expert” as defined by SEC rules. The Committee shall hold meetings (in person or by telephone conference) as appropriate, but not less than four times per year. The Committee shall keep a record of its actions and proceedings and make a report thereof from time to time to the Board. A majority of the Committee members shall constitute a quorum for the transaction of business. The action of a majority of those present at a meeting at which a quorum is present shall be the action of the Committee. The independence of Committee members shall be determined in accordance with the Company’s Corporate Governance Guidelines and the provisions of Rule 303A.02 of the New York Stock Exchange Listed Company Manual, including the provisions governing permissible business relationships with the Corporation. Due to the demands of serving on this Committee, no member of this Committee shall serve on more than two additional audit committees of other public companies without the written approval of the Board.

##### **Statement of Policy**

The primary function of the Audit and Financial Resources Committee shall be to assist the Board in its oversight of the integrity of the Corporation’s financial statements, the Corporation’s compliance with legal and regulatory requirements, the independent auditor’s qualifications and independence, and the performance of the Corporation’s independent audit function. In addition, the Audit and Financial Resources Committee shall review other financial matters as delegated by the Board of Directors.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

Nor is it the duty of the Committee to assure compliance with laws and regulations or the Company's code of conduct.

The Audit Committee shall have authority to inquire into any financial matters including those set forth in this charter, with the right and power (at the expense of the Corporation) to employ such persons and organizations to assist it in carrying out its duties as it shall reasonably deem to be necessary.

### Responsibilities

The Committee shall:

1. Be directly responsible for the appointment, compensation, oversight and evaluation of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
2. Preapprove all auditing services and permissible non-audit services (including scope, compensation and terms of engagement) to be performed by the independent auditor, subject to the de minimis exception for non-audit services described in SEC rules.
3. Periodically review and evaluate the independent auditor's and lead partner's qualifications and performance, assure regular rotation of the lead audit partner as required by law, and further consider whether there should be rotation in the audit firm itself. The Committee shall present to the full Board the Committee's conclusions with respect to the independent auditor.
4. Consider the independence of auditors at least annually including evaluating whether non-audit services performed by the independent auditor impairs the independence of the independent auditor. The independent auditor shall at least annually submit to the Committee a formal written statement delineating all relationships between the independent auditor and the Company, and describing the independent auditor's quality control procedures, including any material issues raised by the last internal quality-control review of the firm or by any governmental inquiry conducted within the preceding five years. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, and shall establish clear hiring policies for employees or former employees of the Corporation's independent auditor.
5. Consider, in consultation with the independent auditor, the independent auditor's responsibility under generally accepted auditing standards.
6. Review reports of the independent auditor and the internal auditor regarding:

- (a) the adequacy of the Corporation's internal accounting controls including electronic data processing procedures and controls and related security programs;
  - (b) any related management letter, and management's responses to recommendations made by the independent auditor; and
  - (c) any quarterly reports which may be received from the independent auditor concerning (i) critical accounting policies and practices to be used, and (ii) 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.
7. Review and discuss with management and the independent auditor, based on the reports of the independent auditor and management:
- (a) the Corporation's annual and quarterly financial statements;
  - (b) the results of each external audit of the Corporation's financial statements, including any certification, report, opinion or review rendered by the independent auditor in connection with those financial statements;
  - (c) significant recent professional and regulatory pronouncements and their potential impact on the financial statements;
  - (d) significant disputes between management and the independent auditor that arose in connection with such audit;
  - (e) significant changes required in the independent auditor's plan; and
  - (f) other matters related to the conduct of the audit which are communicated to the Committee under generally accepted auditing standards, including those concerning:
    - (i) selection of and changes in significant accounting policies and practices and questions of choice of appropriate policies and practices;
    - (ii) management's formulation of any particularly sensitive accounting estimate and the auditor's conclusion as to their reasonableness;
    - (iii) significant audit adjustments;

- (iv) consultation by management with other accountants about significant matters;
  - (v) serious difficulties the auditor encountered in dealing with management in performing the audit; and
  - (vi) policies and reports with respect to officer's expense accounts.
8. Review and discuss with management the Corporation's earnings press releases; and the types of financial information and earnings guidance to be disclosed to analysts and rating agencies.
  9. Review significant filings with the SEC containing the Corporation's financial statements, as the Committee deems appropriate, including the Corporation's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations". Review disclosures made to the Committee by the Corporation's CEO and CFO during their certification process for the Form 10K and Form 10Q about any significant deficiencies in the design and operation of the internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
  10. Review the process for communicating the Corporation's Code of Ethics to company personnel and for monitoring compliance therewith.
  11. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
  12. Periodically obtain updates from management and company legal counsel on the status of any pending litigation which could have significant impact on the Corporation's financial situation or seriously affect its reputation as well as other compliance matters.
  13. Review the internal audit function of the Corporation including the independence of its reporting obligations, the appointment, replacement and compensation of the Director of Internal Audit, the qualifications of the staff, and the proposed audit plan for the coming year and the coordination of such plans with the independent auditor. Prior to each Audit and Finance Committee face to face meeting, receive and review a summary of findings from completed internal audits and provide sufficient opportunity for the internal auditors to meet with members of the Committee without members of management present.
  14. Review with management proposed equity, debt and other finance offerings of the Company that are of a material nature.

15. Review the Committee charter annually to reassess adequacy.
16. Evaluate the committee's performance annually in consultation with and oversight by the Nominating and Corporate Governance Committee.
17. Prepare a Report of the Committee, in accordance with applicable SEC rules, for inclusion in the Company's Annual Meeting Proxy Statement.
18. Perform such other functions as may be assigned to it by law or the Corporation's charter or Bylaws, or by the Board.
19. Regularly report Committee agenda and actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
20. Review periodically with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. Discuss policies with respect to risk assessment and risk management.
21. Discuss with the independent auditor the matters required to be discussed by Statement on Audit Standards No. 61 relating to the conduct of the audit.
22. Meet generally with the independent auditor, the chief financial officer, the director of internal audit, the controller, and the general counsel in separate executive sessions.
23. Meet with or otherwise seek information from such of the Company's employees as the Committee may deem necessary or helpful in meeting its responsibilities under this charter.
24. Review anti-fraud policies and programs.
25. The Committee shall prepare and maintain an annual calendar of its activities.