

## **HOMEFED CORPORATION AUDIT COMMITTEE CHARTER**

*This Charter is intended as a component of the flexible framework within which the Board of Directors of the Company, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations.*

### **PURPOSE**

The Audit Committee (the “Committee”) shall assist the Board of Directors (the “Board”) in fulfilling its responsibility to oversee management regarding: (i) the conduct of the Company’s financial reporting process, including by overviewing the integrity of the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof; (ii) the performance of the Company’s accounting, internal control over financial reporting and audit functions; (iii) the performance of the Company’s outside auditors, including their qualifications and independence, and the annual independent audit of the Company’s financial statements; (iv) the preparation of the audit committee report required by the Securities & Exchange Commission (“SEC”) rules to be included in the Company’s annual proxy statement; (v) the Company’s legal and regulatory compliance; and (vi) the Company’s code of ethics as established by management and the Board.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention or deemed appropriate by it. The Committee shall have full access to all books, records, facilities and personnel of the Company and shall have the power to retain outside counsel, independent auditors and other experts and advisers. The Company shall provide funding for payment of ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its duties and for compensation of any independent counsel or outside advisors retained by the Committee in carrying out its duties.

The Committee’s job is one of oversight. The Company’s management is responsible for preparing the Company’s financial statements and the independent auditors are responsible for auditing those financial statements. The Committee recognizes that financial management and the independent auditors have more time, knowledge and detailed information regarding the Company than do Committee members. Accordingly, in carrying out its oversight responsibilities, the Committee will not provide any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditor’s work.

The Committee shall review the adequacy of this Charter on an annual basis.

### **MEMBERSHIP**

The Committee shall be comprised of not less than two members of the Board, each of whom shall be determined by the Board to be “independent” in accordance with applicable rules of the SEC. At least one member shall be an “audit committee financial expert” as

such term is defined under applicable SEC rules.

## **COMMITTEE MEETINGS**

The Committee shall have regular meetings on a quarterly basis, or more frequently as circumstances dictate. The Committee chairperson will approve the agenda for the Committee's meetings and any Board member may suggest items for consideration. Meeting materials will be provided to the Committee as far in advance of the meetings as practicable. The Committee shall meet at least quarterly with the independent auditor in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present.

## **KEY RESPONSIBILITIES**

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may perform any other duties deemed necessary or appropriate by the Committee or the Board or as are imposed by law, accounting standards or similar requirements.

- The Committee shall review and discuss with management and the independent auditor the Company's financial statements, including, prior to public release, annual audited financial statements to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Stockholders if distributed prior to the filing of Form 10-K), and interim financial statements to be included in the Company's quarterly reports, to be filed with the SEC (including (a) any certification regarding the financial statements or the Company's internal accounting and financial controls and procedures and disclosure controls or procedures filed with SEC by the Company's senior executive and financial officers; and (b) the matters required to be discussed with the independent auditor by Statement of Auditing Standards ("SAS") No. 61, as such statement may be amended from time to time, including, without limitation, the amendments contained in SAS No. 90, and by SAS 100).
- The Committee shall review and discuss with management and the independent auditor (i) all critical accounting policies and practices used by the Company; (ii) any material alternative accounting treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm; (iii) material written communications between the independent auditor and the management, such as any management letter or schedule of unadjusted differences; and (iv) any significant disagreement with management, together with management's response.
- The Committee shall prepare a report to be included in the Company's annual proxy statement stating whether or not the Committee: (i) has reviewed and discussed the audited financial statements with management; (ii) has discussed with the independent auditor the matters required to be discussed by Auditing Standard 1301: Communications with Audit Committees; (iii) has received the

written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1, as may be modified and supplemented, and has discussed with it its independence; and (iv) based on the review and discussions referred to above, the members of the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10- K for filing with the SEC.

- At least annually, obtain and review a report by the independent auditor describing: (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal 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, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company (to be set out in the formal written statement described below).
- The Committee shall request from the independent auditor annually, and review, a formal written statement delineating all relationships between the independent auditor and the Company. The Committee shall 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.
- The Committee shall discuss with the independent auditor any such disclosed relationships and their impact on the independent auditor's independence, and recommend that the Board take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.
- The Committee shall discuss with management and the independent auditor significant issues regarding accounting principles and policies.
- The Committee shall consider and review with management and the independent auditor: (i) the adequacy of the Company's disclosure controls and procedures and internal controls; (ii) any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iv) related findings and recommendations of the independent auditors together with management's responses.
- The Committee shall consider and review with management and the independent auditor: (i) the independent auditor's review of internal control over financial reporting; (ii) significant findings during the year, including the status of previous audit recommendations; (iii) any audit problems or difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information; (iv) any significant disagreements with management, together with management's response; (v) any changes required in the planned scope of the audit plan; (vi) the responsibilities, budget and staffing of the independent auditors; and (vii) the coordination of audit efforts in order to

monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

- The Committee shall have the ultimate authority and responsibility to select (or nominate for shareholder approval), evaluate, compensate, and, where appropriate, replace the independent auditor. The independent auditor shall report directly to the Committee.
- The Committee shall evaluate, and assure the regular rotation of, the lead audit partner of the independent auditor as required by law.
- The Committee shall consider and pre-approve, as appropriate, all auditing and non-auditing services provided by the Company's independent auditors. The authority to grant preapprovals may be delegated to one or more designated members of the Committee, whose decisions will be presented to the full Committee at its next regularly scheduled meeting.
- The Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The Committee shall report regularly to the Board on Committee findings and recommendations (including on any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditor) and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.