



The Enstar Group, Inc.

Audit Committee Charter

The Board of Directors of The Enstar Group, Inc. (the “Company”) has constituted and established an Audit Committee (the “Committee”) with the authority, responsibility and specific duties as described herein. This Charter and the composition of the Committee are intended to comply with applicable law, including the securities laws, and the rules of The Nasdaq Stock Market, Inc. (“Nasdaq”). This document replaces and supercedes in its entirety the previous Charter of the Committee.

Purpose

The Committee is appointed by the Board of Directors to assist the Board of Directors in its oversight of: (1) the integrity of the Company’s financial statements and the Company’s systems of internal controls regarding finance, accounting and ethics established by management and the Board of Directors, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence and (iv) the performance of independent auditors, including the Company’s auditing, accounting and financial reporting process generally. The Committee shall also prepare the report of the Committee to be included in the Company’s annual proxy statement. In doing so, it is the responsibility of the Committee to:

- serve as an independent and objective party to monitor the Company’s financial statements and the financial reporting process and systems of internal financial and accounting controls;
- review and appraise the audit efforts of the Company’s independent auditors; and
- maintain open communication among the independent auditors, management, employees and the Board of Directors.

The independent auditor is ultimately accountable to the Board of Directors and the Committee, as representatives of the Company’s stockholders, and shall report directly to the Committee. The Committee has the sole authority and direct responsibility to select, appoint, evaluate, compensate and oversee the work, and, if necessary, terminate and replace the independent auditor (subject, if applicable, to shareholder ratification). The Committee shall have authority to conduct or authorize investigations into any matters within its scope of responsibilities. Any independent auditors retained by the Company are ultimately accountable to the Committee and shall report directly to the Committee.

Duties and Responsibilities

The primary duties and responsibilities of the Committee are to oversee, on behalf of the Board of Directors, the independent auditors, the Company’s internal accounting controls and auditing functions, and the financial reporting process and to report the results of its activities to the Board of Directors. Management is responsible for preparing the Company’s financial statements and the independent auditors are responsible for auditing those financial statements. The Committee’s role is not to provide expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditor’s work.

This Charter is intended to be flexible so that the Committee is able to meet changing conditions. The Committee is authorized to take such further actions as are consistent with the following responsibilities and to perform such other actions as applicable law, the applicable rules of Nasdaq, the Securities Exchange Act of 1934 (the “Exchange Act”), the rules and regulations of the Securities and Exchange Commission (the “Commission”), the Company’s charter documents and/or the Board of Directors may require.

In discharging its primary responsibilities and functions, the Committee is authorized to:

A. Independent Auditors

- Retain and terminate the Company's independent auditors, approve all audit engagement terms and fees, oversee all work performed by the independent auditors and resolve any disagreements between management and the Company's independent auditors regarding financial reporting.
- Pre-approve all audit services and all permissible non-audit services (including tax services) to be performed for the Company by its independent auditors, subject to the *de minimus* exceptions for non-audit services described in the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may delegate to one or more of its members the authority to pre-approve audit services and permissible non-audit services; provided, however, that all pre-approved services must be disclosed by such delegate to the full Committee at its next scheduled meeting.
- Evaluate the independent auditors, including the independent auditors' qualifications, performance and independence, the competence, experience and qualifications of the lead partner and senior members of the independent auditor team, and the quality control procedures of the independent auditors. The Committee also shall ensure the rotation of the audit partners as required by law.
- Discuss with the independent auditors the overall scope and plans for their audits, including the adequacy of staffing.
- At least annually, obtain and review a report from the independent auditors which describes (a) the audit firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the last five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to address any such issues, and (c) all relationships between the audit firm and the Company. At least annually, obtain and review the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discuss with the independent auditors their independence.
- Discuss with the independent auditors any problems or difficulties the independent auditors may have encountered and any management letter provided by the independent auditors and the Company's response. Such review should include any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management.
- Discuss with the independent auditors, at least annually, the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU § 380) relating to the conduct of the audit.
- Obtain from the independent auditors assurance that Section 10A(b) of the Exchange Act (generally relating to the auditors' identification of illegal acts and related party transactions) has not been implicated.
- Establish clear policies and guidelines for the Company's hiring of employees or former employees of the independent auditors.

- Annually prepare the report required by the rules of the Commission to be included in the Company's annual proxy statement.

B. Financial Reporting Process

- Review and discuss with management and the independent auditors the Company's annual audited financial statements and disclosures set forth in Management's Discussion and Analysis in the Company's Annual Report on Form 10-K prior to filing with the Commission or public distribution, including (i) their judgment about the quality of the Company's accounting principles as applied in its financial reporting, (ii) the reasonableness of significant judgments, and (iii) the clarity of the disclosures in the financial statements. Recommend, based on its review and discussion, that the audited financial statements be included in the Company's Form 10-K for the last fiscal year for filing with the Commission.
- Review and discuss with management and the independent auditors the interim financial statements and disclosures set forth in Management's Discussion and Analysis in the Company's Quarterly Report on Form 10-Q and the results of the independent auditors' reviews of the quarterly financial statements prior to the filing of the Company's Quarterly Report on Form 10-Q with the Commission and/or the Company's release of earnings.
- Obtain and review a report made to the Committee by the Chief Executive Officer and Chief Financial Officer of the Company during their certification processes for the Form 10-K and each Form 10-Q which describes, if any, (a) all significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process and report financial data, and (b) any fraud (whether or not material) involving management or other employees who have a significant role in the Company's internal controls.
- Discuss with management and the independent auditors the adequacy and effectiveness of the Company's accounting and financial processes and controls. The Committee may meet separately with management and with the independent auditors to discuss these matters.
- Review with management and independent auditors the financial reporting and disclosure issues, including material correcting adjustment and off-balance sheet financing and relationships, if any, discuss significant judgment matters made in connection with the preparation of the Company's financial statements and ascertain that any significant disagreements among them have been satisfactorily resolved, and ascertain that no restrictions were placed by management on implementation of the independent or internal auditors' examinations. Regularly scheduled executive sessions will be held for this purpose.
- Review significant changes to the Company's auditing and accounting principles and practices proposed by the independent auditors or management.
- Review with management and the independent auditors the effect of regulatory and accounting initiatives as well as any off-balance sheet structures on the Company's financial statements.
- Review policies with respect to risk assessment and risk management. Discuss significant financial risks and exposures and the steps taken by management to monitor and minimize such risks.
- Discuss generally, in terms of types of information to be disclosed and the type of presentation to be made, the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.

C. Ethical/Legal Compliance and Other Review Procedures

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the Company's accounting, internal accounting controls or auditing matters and confidential, anonymous submission by employees of concerns regarding accounting questions or auditing matters.
- Develop, review or recommend to the Board of Directors for its approval those provisions of the Code of Business Conduct and Ethics that relate to areas that the Committee is responsible for overseeing, including conflicts of interest.
- Review the programs and policies of the Company designed to ensure compliance with applicable laws and regulations and monitoring the results of those compliance efforts.
- Review with the Company's executive officer with oversight of legal matters of the Company any legal matters that could have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from governmental agencies or regulators.
- Review and, as required by Nasdaq, approve all related-party transactions.
- Establish and review whistleblower procedures.

D. Other Responsibilities

- Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board of Directors for approval.
- Conduct an annual performance evaluation of the Committee.
- Report periodically to the Board of Directors, which report may include issues that arise with respect to (a) the quality and integrity of the Company's financial statements, (b) the Company's compliance with legal or regulatory requirements, (c) the performance and independence of the Company's independent auditors or (d) the performance of the internal audit function.
- As appropriate, obtain advice and assistance from independent legal, accounting or other advisors. The Committee shall approve the fees paid by the Company to any independent advisor retained by the Committee.

Membership

The Committee shall be elected by the Board of Directors and shall be composed solely of a minimum of 3 independent non-employee directors who are independent as defined in, and to the extent required by, the applicable rules of Nasdaq, the Exchange Act and the rules and regulations of the Commission. The Board of Directors shall affirmatively conclude that the members of the Committee are independent, as required. Each member of the Committee shall be able to read and understand financial statements at the time of their appointment. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board of Directors shall determine whether the Committee has an audit committee financial expert as defined by the Commission. The Chairman of the Committee shall be selected from among the Committee members by the Board of Directors.

Meetings

The Committee shall meet quarterly, and at such additional times as deemed appropriate by the Chairman of the Committee, any two members of the Committee, or the Chief Executive Officer. A quorum for the transaction of any business by the Committee shall be a majority of the members of the Committee. The act of a majority of the directors serving at any meeting of the Committee at which a quorum is present shall be the act of the Committee. All meetings of the Committee will be held pursuant to the Bylaws of the Company with regard to notice and waiver thereof, and written minutes of each meeting will be duly filed in the Company records. Reports of meetings of the Committee shall be made to the Board of Directors at its next regularly scheduled meeting, following the Committee meeting accompanied by any recommendations to the Board of Directors approved by the Committee.

Authority

The Committee is authorized to confer with Company management and other employees to the extent it may deem necessary or appropriate to fulfill its duties and discharge its responsibilities. The Committee has the authority to investigate any matters brought to its attention, within the scope of its duties, with full access to all Company books, records, facilities, personnel and independent auditors, along with the power to retain, at the Company's expense, such independent counsel, auditors or other experts as the Committee deems necessary or appropriate.

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