

**CHAMPION ENTERPRISES, INC.**

**CORPORATE GOVERNANCE GUIDELINES**

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## Table of Contents

<b>Guidelines on Significant Corporate Governance Issues .....</b>	<b>1</b>
<b>Selection and Composition of the Board .....</b>	<b>1</b>
1) Board Membership Criteria.....	1
2) Selection and Orientation.....	1
3) Extending the Invitation to a Potential Director to Join the Board..	2
<b>Board Leadership.....</b>	<b>2</b>
4) Selection of Chairman and CEO .....	2
5) Lead Director Concept.....	3
<b>Board Composition and Performance.....</b>	<b>3</b>
6) Size of Board .....	3
7) Mix of Directors .....	3
8) Board Definition of What Constitutes Independence for Non- Management Directors.....	3
9) Directors Who Change Their Present Job Responsibilities.....	4
10) Term Limits and Restriction on Public Company Boards .....	4
11) Board Compensation.....	4
12) Executive Sessions of Directors .....	5
13) Assessing the Board's Performance .....	5
14) Board Interaction with Institutional Investors, the Press, Customers, etc. ....	5
15) Reporting Concerns to Independent Directors or Audit Committee	6
<b>Board Relationship to Senior Management .....</b>	<b>7</b>
16) Regular Attendance of Non-Directors at Board Meetings .....	7
17) Board Access to Senior Management and Independent Advisors..	7
<b>Meeting Procedures .....</b>	<b>7</b>
18) Selection of Agenda Items for Board Meetings.....	7
19) Board Materials Distributed in Advance .....	8
20) Board Presentations.....	8
21) Attendance and Preparation .....	8

<b>Committee Matters .....</b>	<b>8</b>
<b>22) Number of Committees.....</b>	<b>8</b>
<b>23) Committee Assignment and Rotation .....</b>	<b>9</b>
<b>24) Frequency and Length of Committee Meetings .....</b>	<b>9</b>
<b>25) Committee Agenda .....</b>	<b>9</b>
<b>Leadership Development.....</b>	<b>9</b>
<b>26) Formal Evaluation of the Chief Executive Officer .....</b>	<b>9</b>
<b>27) Succession Planning.....</b>	<b>10</b>
<b>28) Management Development.....</b>	<b>10</b>
<b>29) CEO Membership on the Board of Directors of Another Public         Company .....</b>	<b>10</b>

**CHAMPION ENTERPRISES, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

**Guidelines on Significant Corporate Governance Issues**

These guidelines reflect the Board's current thinking with respect to selected corporate governance issues. These guidelines are only guidelines and not rigid rules. The Board will continue annually to assess the appropriateness and efficacy of these guidelines and it is likely that changes to these guidelines will occur from time to time.

**Selection and Composition of the Board**

**1) Board Membership Criteria**

The entire Board periodically reviews (at least annually) the mix of skills, experience levels and backgrounds of present and potential Board members in light of anticipated needs. Whenever a director search is undertaken, the entire Board reviews the specific criteria.

**2) Selection and Orientation**

The Board itself should be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election by the shareholders. The Nominating and Corporate Governance Committee of the Board reviews qualifications and interviews and recommends potential candidate director nominees to the full Board. The Nominating and Corporate Governance Committee should recommend a Board that is, as a whole, strong in its collective knowledge of and experience concerning accounting and finance, management and leadership, vision and strategy, business operations, business judgment, risk assessment, industry knowledge, and corporate governance. When reviewing a potential candidate, the Committee should look specifically at the candidate's qualifications in

light of the needs of the Board and the Company at that time given the then current mix of director attributes. The Board has adopted a policy regarding factors to be considered in selecting director nominees which include: the nominee's intelligence, judgment, foresight, character and integrity, diversity of background, business acumen, experience inside and outside of the business community, personal commitment, diligence, conflicts of interest and the ability to act in the balanced, best interests of the Shareholders as a whole rather than special interest groups or constituencies. The Nominating and Corporate Governance Committee shall be responsible for providing an orientation for new directors and making available materials and/or briefing sessions to assist members of the Board and committee chairpersons in discharging their duties. The Board's members and committee chairpersons shall be invited and encouraged to take advantage of those materials and/or sessions. Each Board member has the opportunity to attend one director continuing education program per year at the Company's expense, and it is anticipated that each Board member will attend at least one such course every two years.

**3) Extending the Invitation to a Potential Director to Join the Board**

The invitation to join the Board should be extended by the Nominating and Corporate Governance Committee.

**Board Leadership**

**4) Selection of Chairman and CEO**

The Board should be free to make this choice any way that seems best for the Company at a given point in time. Therefore, the Board does not have a policy, one way or the other, on whether or not the roles of the Chief Executive Officer and Chairman should be

separate and if separate, whether the Chairman should be selected from the independent directors or be an employee.

**5) Lead Director Concept**

The Board embraces the lead director concept. If the offices of the Chief Executive Officer and Chairman are held by the same person, the Board will appoint a lead non-management director. The lead director will chair executive sessions of the Board and have such other duties and responsibilities as the Board shall provide in the Lead Independent Director Charter.

**Board Composition and Performance**

**6) Size of Board**

It is the sense of the Board that a size of 6-9 members is about right.

**7) Mix of Directors**

On matters of corporate governance, the practice is to involve the full Board. There shall be a majority of independent directors on the Board. The CEO is currently the only member of management on the Board. There is no restriction on the number of non-management directors on the Board, provided there are still a majority of independent directors.

**8) Board Definition of What Constitutes Independence for Non-Management Directors**

The Board has adopted the definition of “independent director” set forth in the New York Stock Exchange corporate governance rules and in the Securities and Exchange Act of 1934. Each year, the Board shall determine whether each director is “independent”. A “non-management director” is a director who is not a Company officer

(as that term is defined in Rule 16a-1(f) under the Securities Act of 1933), and includes such directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason. The Board has determined that each of its current non-management directors is independent.

**9) Directors Who Change Their Present Job Responsibilities**

The Board has adopted a policy that any director who has a significant change in occupation, retires from his or her principal employment or is unavailable for active participation due to health, change of residence or similar reason (except for short duration) shall submit an offer of resignation from the Board. Action on such offer of resignation is by Board resolution.

**10) Term Limits and Restriction on Public Company Boards**

The Bylaws provide that no person who has reached age 72 shall be eligible for election to the Board. Each director shall submit an offer of resignation to the Board after 10 years service on the Board and each 3 years thereafter. The Board shall act on each such offer by Board resolution. In addition, inside directors shall leave the Board on the date of their retirement or termination of employment. Further, no Director shall serve on the Board of Directors of more than six public companies, including this Board

**11) Board Compensation**

All directors are expected to hold stock of the Company. All non-management directors are compensated in equity, (either in the form of grants of common stock, or deferred stock grants) cash retainer, and meeting fees. The non-executive Chairman of the Board, Lead Independent Director, and committee chairpersons receive additional compensation for holding those positions. A director who is also an employee of the Company receives no

additional compensation for election to or service on the Board. The Compensation and Human Resources Committee makes recommendations to the Board regarding compensation for directors. All directors' compensation shall be at prevailing market rates as determined by the Compensation and Human Resources Committee based on the advice of outside compensation consultants.

**12) Executive Sessions of Directors**

The non-management directors shall meet at regularly scheduled executive sessions without the CEO or other management present. These sessions shall include an evaluation of CEO performance at least annually. If any of the non-management directors are not independent directors, then the independent directors shall also meet separately at least once a year. The Lead Independent Director shall preside at executive sessions and report to the Chief Executive Officer of the Company any action taken at any executive session. The Lead Independent Director or any two members of the Board may act to convene a special meeting of the Board.

**13) Assessing the Board's Performance**

The Board annually evaluates its performance as a whole, the performance of each of the Board members individually, and the performance of each of the Board's committees. In addition, new directors receive a further extensive evaluation after their first year and third year on the Board. The Nominating and Corporate Governance Committee oversees this evaluation process.

**14) Board Interaction with Institutional Investors, the Press, Customers, etc.**

The Board believes that management generally should speak for the Company. While individual Board members may, from time to



time, meet or otherwise communicate with various constituencies that are involved with the Company, it is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

**15) Reporting Concerns to Independent Directors or Audit Committee**

Anyone wishing to communicate with the independent directors of the Board may do so by writing to the Lead Independent Director, c/o the Company's Secretary, 2701 Cambridge Court, Suite 300, Auburn Hills, Michigan 48326. The Lead Independent Director, with the assistance of the Company's Secretary, will be primarily responsible for monitoring communications from Shareholders and providing copies or summaries of such communications to the other Directors, as he or she considers appropriate. Communications will be forwarded to all Directors if they relate to appropriate matters and may include suggestions or comments from the Lead Independent Director.

Anyone who has a concern about the Company's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Audit and Financial Resources Committee. Such communications may be confidential or anonymous, and may be submitted in writing or reported by phone to the Company's toll free 24/7 "hotline" (1-800-326-0560). The Company shall investigate all such complaints and concerns.

## **Board Relationship to Senior Management**

### **16) Regular Attendance of Non-Directors at Board Meetings**

The General Counsel and Secretary is the only non-director present at each Board meeting for its duration. Corporate officers attend all meetings for operational, financial and related presentations. Other presenters attend on an invitation basis for their presentation(s).

### **17) Board Access to Senior Management and Independent Advisors**

Board members have complete access to Company management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the Company and that such contact, if in writing, be copied to the CEO. Furthermore, the Board encourages management to, from time to time, bring managers into Board Meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that senior management believes should be given exposure to the Board. The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

## **Meeting Procedures**

### **18) Selection of Agenda Items for Board Meetings**

The Chairman of the Board/CEO, in consultation with the Lead Independent Director and members of management, establishes the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items(s) on the agenda. The Board calendar is reviewed annually by the Nominating and Corporate Governance Committee.

**19) Board Materials Distributed in Advance**

It is the sense of the Board that information and data that is important to the Board's understanding of the business be distributed in writing to the Board before the Board meets. Management will make every attempt to see that materials are complete and concise while still providing the desired information.

**20) Board Presentations**

As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

**21) Attendance and Preparation**

Directors are expected to attend all meetings (either in person or by teleconference), to have reviewed all written materials distributed to them in advance of each meeting, and to participate constructively in each meeting. Directors are also expected to attend the Annual Meeting of Shareholders.

**Committee Matters**

**22) Number of Committees**

There are currently three Board committees: Audit and Financial Resources, Compensation and Human Resources and Nominating and Corporate Governance. The Board may form, merge or dissolve a committee as the Board determines, depending on circumstances. All committees have charters which are reviewed at least annually.

**23) Committee Assignment and Rotation**

The Board has adopted a policy of 3-year tenure for committee chairpersons unless it is determined in a particular instance that a longer tenure is in the best interest of the Board. Committee assignments are evaluated and rotated as appropriate at 5 year intervals or sooner if there is a change in Board membership. The charters of all three committees limit membership on those committees to independent directors only. The Board approves all committee chairs, charters and appointments.

**24) Frequency and Length of Committee Meetings**

When practicable, committee meetings are held on the day preceding, or the morning of, each regularly scheduled Board meeting. When practical, committee meetings will be scheduled a year in advance. Changes to the schedule are made as needed by the committee chairperson in charge.

**25) Committee Agenda**

The chairperson of a committee, in consultation with the Lead Independent Director and appropriate members of management, will develop the committee's agenda. A preliminary annual schedule of committee agenda subjects is issued each year. The final agenda is set by the committee chairperson in consultation with appropriate members of management prior to each meeting.

**Leadership Development**

**26) Formal Evaluation of the Chief Executive Officer**

The Compensation and Human Resources Committee annually evaluates the CEO's performance. This Committee has adopted a policy of reviewing the CEO's annual performance evaluation with all independent directors. The independent directors then meet with the

CEO to discuss the evaluation. The evaluation is based on criteria such as performance of the business, accomplishment of long-term strategic objectives, development of management, etc.

**27) Succession Planning**

The CEO meets annually with the independent directors to report on succession planning.

**28) Management Development**

The CEO meets annually with the independent directors to report on management development.

**29) CEO Membership on the Board of Directors of another Public Company**

As part of the CEO's development, the CEO is authorized and encouraged to sit on the board of directors of one other publicly traded company, provided such position does not interfere or conflict with the CEO's duties to the company or create a potential conflict of interest. Such a board seat by the CEO is without restriction as to committee service on that board.