



**TEXAS INDUSTRIES, INC**

## **Charter of the Audit Committee**

### **PURPOSE**

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Texas Industries, Inc. (the "Company") will provide assistance to the Board in fulfilling its responsibility relating to corporate accounting and financial matters, the financial reporting practices of the Company, and the quality and integrity of the financial reports of the Company. The Committee's purpose is to (1) assist the Board's oversight of: the reliability and integrity of the Company's accounting policies and financial reporting and disclosure practices; the establishment and maintenance of processes to assure compliance with all relevant laws, regulations, and Company policy, including a process for receipt of complaints and concerns regarding accounting, internal controls or auditing matters; the independent auditors' qualification and independence; and the performance of the Company's internal audit function and independent auditor; and (2) provide the report of the Audit committee required to be included in the Company's proxy statement.

### **COMPOSITION OF THE COMMITTEE AND MEETINGS**

The Committee will be composed of three or more directors as determined by the Board, each of whom shall be an "independent" director for purposes of Audit Committee membership in accordance with the rules of the New York Stock Exchange and any other applicable legal or regulatory requirement. No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to serve effectively on the Committee, and such determination is disclosed in the Company's proxy statement. All members of the Committee will be financially literate, or will become financially literate within a reasonable period of time after appointment to the Committee. The Committee shall also disclose, in accordance with applicable regulatory requirements, whether any member of the Committee is a "financial expert" as defined by the U.S. Securities and Exchange Commission ("SEC").

The Committee will have at least four regularly scheduled meetings each year, with additional meetings to be held as circumstances require. The Committee will keep minutes of its meetings, and will regularly report to the Board on its activities, making recommendations as appropriate, and will cover any issues that arise with respect to the independent auditors, the internal audit function, the quality and integrity of the Company's financial statements or the Company's compliance with legal or regulatory requirements.

The Committee may form subcommittees (which may consist of one or more members) for any purpose that the Committee deems appropriate and may delegate to such subcommittees such powers and authority as the Committee deems appropriate; provided, however, that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

### **RESPONSIBILITIES**

The Committee's role is one of oversight, and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, including the internal audit staff, as well as the independent auditors, have more time, knowledge and detailed information on the Company than do Committee members; therefore, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work.

The following functions are within the authority of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate, given the circumstances.

### **SELECTION, EVALUATION AND OVERSIGHT OF THE AUDITORS**

- a. Appoint, evaluate and compensate the Company's independent auditors, which shall report directly to the Committee, and determine whether to retain or, if appropriate, terminate the independent auditors;

- b. Review and approve in advance the independent auditors' annual engagement letter, including the scope of the audit for the fiscal year and the proposed fees contained therein, as well as any other audit and permitted non-audit engagements and relationships between the Company and such independent auditors; and
- c. Obtain at least annually from the Company's independent auditors and review a report describing:
  - i. the independent auditors' internal quality-control procedures;
  - ii. any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and
  - iii. all relationships between the independent auditors and the Company.

### **OVERSIGHT OF ANNUAL AUDIT AND QUARTERLY REVIEWS**

- a. Review with management, the Company's independent auditors and, if appropriate, the director of the Company's internal auditing department, the following:
  - i. the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and
  - ii. major issues (as defined by the external auditors) regarding accounting principles and financial statements presentations, including any significant changes in the Company's selection or application of accounting principles.
- b. Review and discuss any significant disagreements between the Company's independent auditors and management regarding financial reporting; and
- c. Review on a regular basis with the Company's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work.

### **OVERSIGHT OF THE FINANCIAL REPORTING PROCESS AND INTERNAL CONTROLS**

- a. Review the adequacy of the Company's internal controls (including any special audit steps adopted in light of the discovery of material control deficiencies), including the responsibilities, budget, compensation and staffing of the Company's internal audit function, through consultation with the Company's independent auditors, management and director of the Company's internal auditing department;
- b. Discuss the Company's policies with respect to risk assessment and risk management; and
- c. Review the type and presentation of information to be included in the Company's earnings press releases (especially the "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and any earnings guidance provided by the Company to analysts and rating agencies (which review may be done generally (i.e., discussion of the types of information to be disclosed and type of presentations to be made), and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance);

### **MISCELLANEOUS**

- a. Establish clear hiring policies by the Company for employees or former employees of the Company's independent auditors;
- b. Provide the report required by the rules of the SEC to be included in the Company's annual proxy statement;
- c. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- d. Secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Company;
- e. Report regularly to the Board on its activities, as appropriate;
- f. Meet separately, periodically, with management, with internal auditors and with independent auditors; and
- g. Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

### **ETHICAL AND LEGAL COMPLIANCE**

- a. Review with the Company's General Counsel any legal or regulatory matter that could have a significant impact on the Company's financial statements; and

- b. Establish a code of ethics for the senior financial personnel of the Company in accordance with applicable laws, rules and regulations.

### **EVALUATION OF THE COMMITTEE**

The Committee shall, on an annual basis, evaluate its performance. The evaluation shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of this Charter, and shall be conducted in such manner as the Committee deems appropriate.

### **INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary. The Committee will report to the Board at its next meeting (i) that the Committee has undertaken or authorized any such investigation or study and the counsel or consultants it has retained, and (ii) the results of such investigation or study after it is completed.

***Revised and Approved by the Board of Directors of Texas Industries, Inc. on July 13, 2004.***