

GAINSCO, INC.
AUDIT COMMITTEE CHARTER

The Board of Directors (the “*Board*”) of GAINSCO, INC. (the “*Company*”) approves and adopts the following Audit Committee Charter to specify the purpose, composition, roles and responsibilities of the Audit Committee. As used in this Charter, (i) “*Company*” includes the Company and its subsidiaries unless the context otherwise requires, (ii) “*GAAP*” means generally accepted accounting principles for financial reporting in the United States and (iii) “*SOX*” means the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission (“*SEC*”) promulgated thereunder.

Purpose

- The function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the accounting, financial reporting and related matters described below.

Composition

- The Audit Committee shall consist of not less than two independent directors, each of whom shall have no relationship to the Company that may interfere with the exercise of his independence from management and the Company and shall be financially literate and at least one of whom shall have accounting or related financial management expertise. To be considered “*independent*” for this purpose, a director may not (other than in his capacity as a member of the Board or a Board committee), directly or indirectly, (a) receive any consulting, advisory or other compensatory fee from the Company, including any fees paid to any entity in which the director is a general partner, managing member or executive officer or has a similar position and any fees paid to any spouse or any child sharing a home with the director, or (b) be an officer, employee, affiliated or control person of the Company; provided that service on the board of directors of a controlled subsidiary of the Company shall not affect the independence of a director. The qualifications required of Audit Committee members shall be interpreted consistent with SOX.
- The Chair of the Audit Committee shall be designated by the Board; provided that if a Chair is not designated by the Board or present at a meeting, the Audit Committee may designate a Chair by majority vote of the Audit Committee members then in office.

Roles and Responsibilities

Relationship With the Outside Auditors

- The Company’s outside auditors are ultimately responsible to the Audit Committee.
- The Audit Committee has the ultimate authority and responsibility to select, oversee and replace the outside auditors, including the resolution of any disagreements between management and the auditors regarding financial reporting.

- The Audit Committee has the further authority and responsibility to review the fees charged by the outside auditors, the scope of their engagement (including the prior approval of all engagements for audit and non-audit services to be performed) and proposed audit approach, and to recommend such review or auditing steps as the Audit Committee may consider desirable. The Audit Committee may delegate to any one or more of its members the authority to grant pre-approvals of audit and non-audit services.
- The Audit Committee shall review and confirm the independence of the outside auditors by requiring that the outside auditors submit to the Audit Committee at least annually a formal written statement confirming their independence with respect to the Company, delineating all relationships between the outside auditors and the Company and confirming that their policies with respect to the rotation and compensation of audit partners are consistent with SOX, and engaging in a dialogue with the outside auditors with respect to any disclosed relationships or services that may impact their objectivity and independence.
- The Audit Committee shall evaluate, at least annually, the internal quality control procedures of the outside auditors by seeking confirmation from the outside auditors of the adequacy of their internal quality controls, their standing before the Public Company Accounting Oversight Board (“PCAOB”) and the nature and status of any investigation or other proceedings by or before the PCAOB or any other regulatory body.
- The Audit Committee shall approve the employment by the Company of any individual who has previously been employed by the outside auditors in any capacity relating to the Company’s financial statements.
- Management is responsible for preparing the Company’s financial statements. The Company’s outside auditors are responsible for auditing the financial statements. The activities of the Audit Committee are in no way designed to supersede or alter these traditional responsibilities.

Relationship With Internal Auditors

- The internal audit department, if the Company shall have one, shall have a direct reporting responsibility to the Audit Committee and through it to the Board.
- The Audit Committee shall review the budget, plan, changes in plan, activities, organizational structure and qualifications of the internal audit department, if any and as needed.
- The Audit Committee shall review the appointment, performance and replacement of the senior internal audit executive, if the Company has one.
- The Audit Committee shall review significant reports prepared by the internal auditors, if any, together with management’s response and follow-up to these reports.
- The Audit Committee shall receive at least annually the assessment of the senior internal audit executive, if the Company has one, whether the purpose, authority, and responsibility, as defined in the Internal Audit

Charter, continue to be adequate to enable the internal audit department, if any, to accomplish its objectives.

Internal Controls

- The Audit Committee shall evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls.
- In consultation with management, the outside auditors and the internal auditors, if any, the Audit Committee shall consider the Company's significant financial risk exposures and the steps management has taken to monitor, control and report such exposures.
- The Audit Committee shall focus on the extent to which internal auditors, if any, and outside auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- The Audit Committee shall consider (i) reports by outside auditors as to internal controls and (ii) the extent to which internal control recommendations made by outside auditors have been implemented by management.
- The Audit Committee shall request that the internal auditors, if any, and outside auditors keep the Audit Committee informed about fraud, illegal acts and deficiencies in internal controls that come to their attention and such other matters as either the internal auditors or the outside auditors conclude should be brought to the attention of the Audit Committee.

Financial Reporting

General

- The Audit Committee shall review with management, the outside auditors and the internal auditors, if any, significant accounting and reporting issues applicable to the Company, including recent professional and regulatory pronouncements, and their impact on the financial statements.

Annual Financial Statements

- The Audit Committee shall meet with management and the outside auditors to review the annual financial statements and the results of the annual audit prior to the release to the public of the results of operations for each fiscal year.
- The Audit Committee shall review the annual financial statements prior to release to the public.
- The Audit Committee shall obtain explanations from management on whether:
 - Actual financial results for the year varied significantly from budgeted or projected results.
 - Changes in financial ratios and relationships in the annual financial statements are consistent with changes in the Company's operations and financing practices.

- Generally accepted accounting principles have been consistently applied in the annual financial statements.
- There are any actual or proposed changes in accounting or financial reporting practices.
- There are any significant or unusual events or transactions.
- The Company's financial and operating controls are functioning effectively.
- The Company has complied with the terms of loan agreements.
- The annual financial statements contain adequate and appropriate disclosures.
- The Audit Committee shall focus on complex or unusual transactions and on judgmental areas such as those involving valuation of assets and liabilities.
- The Audit Committee shall review reports of inside and outside actuaries regarding the Company's reserves for claims and claim adjustment expenses.
- The Audit Committee shall (i) review with the outside auditors any difficulties the outside auditors encountered in the course of their audit work, including restrictions on the scope of their activities and significant disagreements with management, and (ii) consider management's handling of any proposed audit adjustments identified by the outside auditors.
- The Audit Committee shall consider the outside auditors' judgments about the quality and appropriateness of (i) the Company's accounting policies and practices, (ii) alternative accounting treatments under GAAP discussed with management, the ramifications of those alternatives and the outside auditors' preferences and (iii) other material communications to management.
- The Audit Committee shall discuss with management and the outside auditors any significant changes to the Company's accounting principles, the degree of aggressiveness or conservatism of the accounting principles and underlying estimates used in the preparation of the Company's financial statements, and any items required to be communicated by the outside auditors in accordance with Statement of Auditing Standards ("SAS") No. 61, as amended by SAS No. 89 and SAS No. 90.
- Based on the review and discussions with management and outside auditors contemplated by this Charter, the Audit Committee shall determine whether it is appropriate to release the financial statements to the public.

Compliance with Laws and Regulations

- The Audit Committee shall review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation of and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities.
- The Audit Committee shall periodically obtain updates from management regarding compliance.

- The Audit Committee shall be satisfied that regulatory compliance matters have been considered in the preparation of the financial statements.
- The Audit Committee shall review the findings of any examinations by regulatory agencies such as the SEC and the state insurance commissions which have supervisory authority over the Company's insurance company subsidiary.
- The Audit Committee shall review with management and the independent auditors the effects of any regulatory and accounting initiatives, as well as off-balance sheet structures, if any.

Compliance with Codes of Conduct; Handling of "Whistleblower" Complaints

- The Audit Committee shall evaluate whether management is setting the appropriate tone at the top by communicating the importance of the Company's codes of conduct and the guidelines for acceptable business practices.
- The Audit Committee shall review the program for monitoring compliance with the codes of conduct.
- The Audit Committee shall establish procedures for handling "whistleblower" complaints regarding accounting, internal controls or auditing matters, including confidential, anonymous submissions by employees.
- The Chair of the Audit Committee shall be designated in the Company's codes of conduct as a person to whom violations thereof, and "whistleblower" complaints regarding accounting, internal controls or auditing matters, may be reported.

Qualified Legal Compliance Committee

- The Audit Committee shall constitute and function as a "qualified legal compliance committee" ("QLCC") consistent with the meaning as contained in SOX.
- The Audit Committee as a QLCC shall adopt procedures for the confidential receipt from attorneys for the Company, retention and reporting of evidence of material breaches of securities laws, fiduciary duties or similar violations of other laws.
- The Audit Committee shall have all of the authority of a QLCC consistent with SOX, including the authority to conduct investigations, implement appropriate responses and take all other appropriate actions.

Other Responsibilities

- The Audit Committee may meet with the outside auditors, the senior internal audit executive (if any), actuaries, management and any employee seeking to meet with the Audit Committee about any matter within its purview in separate executive sessions to discuss any matters that the Committee or these persons believe should be discussed privately.
- The Audit Committee shall request that significant findings and recommendations made by the internal and outside auditors and actuaries be received and discussed on a timely basis.

- The Audit Committee shall review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.
- The Audit Committee shall review the policies and procedures in effect for considering officers' expenses and perquisites.
- The Audit Committee shall regularly update the Board about Audit Committee activities and make appropriate recommendations.
- The Audit Committee shall perform other oversight functions as requested by the Board.

Charter Scope

- The Audit Committee shall review and reassess the adequacy of this Charter at least annually.
- The Audit Committee shall submit this Charter to the Board for approval and have the Charter published on the Company's website.

Meetings

- The Audit Committee shall meet at least annually in conjunction with the annual audited financial statements of the Company and may meet more frequently as circumstances dictate.
- Meetings of the Audit Committee may be in person or by conference call in accordance with the Bylaws of the Company.
- Meetings of the Audit Committee shall be held at such time and place, and upon such notice, as the Chair of the Audit Committee may from time to time determine.
- The Chair of the Audit Committee shall develop the agenda for each meeting and in doing so may consult with management, legal counsel, the internal auditors, if any, and the outside auditors. The Chair shall determine whether, or for what portion of any meeting, representatives from management, counsel, the internal auditors, if any, and the outside auditors are to be invited or excused.
- Except as specifically provided in this Charter, the Bylaws of the Company with respect to committees of the Board shall apply to the Audit Committee.

Reliance

- The Audit Committee shall be entitled to rely upon valuations, opinions, reports, statements (including financial statements) and other financial information concerning the Company or another person that were prepared or presented by (i) one of more officers or employees of the Company, (ii) legal counsel, public accountants, investment bankers or other persons as to matters the members reasonably believe are within the persons' professional or expert competence or (iii) another committee of the Board.

Authority

- The Audit Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities and shall have direct access to the outside auditors and the internal auditors, if any, as well as anyone in the Company.
- The Audit Committee shall have the ability to retain, at the Company's expense, such special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.
- The Audit Committee may from time to time delegate to its Chair or any of its members the responsibility for any particular matters.