

M.D.C. HOLDINGS, INC.

RE-STATED CHARTER FOR THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) of M.D.C. Holdings, Inc., (“MDC” or “the Company”) previously established an Audit Committee. This Restated Charter for the Audit Committee (the “Charter”) restates the authority, responsibilities and specific duties of MDC’s Audit Committee (the “Committee”). This Charter is to be reviewed, and if appropriate, approved by the Board at least annually.

The purpose of the Committee is to assist Board oversight of: (1) the integrity of the Company's financial statements; (2) the Company's compliance with legal and regulatory requirements; (3) the external auditors' qualifications and independence; and (4) the performance of the Company's internal audit function and external auditors. Primary oversight responsibility for the foregoing four matters rests with the Board. Primary responsibility for MDC’s financial reporting and internal controls is vested in Management. In performing its designated functions, the Committee shall not assume or diminish Management’s responsibility for the content of the Company’s financial statements or for other financial information disseminated by the Company.

I. ORGANIZATION

A. Composition

The Committee shall be comprised of three or more directors designated by the Board. If the Board fails to designate a Chair, the members of the Committee shall designate a Chair by majority vote of the Committee membership. Each member of the Committee shall serve until such member resigns or is removed by the Board. Members may be removed by the Board in its discretion. Each member of the Committee shall be independent as provided by the regulations of the Securities and Exchange Commission (SEC), the listing standards of the New York Stock Exchange and applicable legal requirements. Each member of the Committee must be financially literate or become so within a reasonable period after appointment to the Committee and at least one member of the Committee shall have accounting or related financial management expertise as determined by the Board in its business judgment. Each year, the Company shall disclose in its annual report whether or not at least one member of the Audit Committee qualifies as an “audit committee financial expert,” as defined by SEC regulations.

B. Access and Resources

The Committee shall have unrestricted access to MDC's personnel and records, to the Company's external auditors, and shall have authority to retain independent counsel and other advisers. The Company shall provide the resources necessary for the Committee to discharge its responsibilities including, but not limited to, appropriate funding (as determined by the Committee) for payment of (1) compensation to external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (2) compensation to any advisers employed by the Committee; and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

C. Meetings

The Committee shall meet on a regular basis, at least quarterly, and may call additional meetings as required. Further, the Committee, at least once during the year, shall hold separate executive sessions with management, the internal auditors and the external auditors. A quorum of the Committee shall consist of two members or a majority of the Committee membership, whichever is greater.

D. Minutes

Minutes of each meeting shall be in writing and copies provided to Committee members for their approval. A permanent record of approved minutes shall be maintained by the Committee.

E. Reporting to the Board

At least quarterly, the Committee shall report to the Board regarding its activities.

F. Indemnification

Each Committee member shall be entitled to indemnification by the Company to the maximum extent permitted by Delaware law, the Company's Certificate of Incorporation, By-laws and resolutions of the Board.

G. Compensation and Expense Reimbursement

The Committee members shall be compensated for attendance at meetings as determined by the Board. Travel and other out-of-pocket expenses incurred by Committee members in connection with the performance of their duties shall be documented and reimbursed in accordance with the Company's expense reimbursement policies.

## II. FUNCTIONS - EXTERNAL AUDIT MATTERS

### A. Select External Auditors; Review Independence

The Committee shall be directly responsible for the appointment, compensation, retention, oversight, and termination of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (external auditors).

Each such external auditor will report directly to the Committee in accordance with New York Stock Exchange listing standards or any other applicable requirements.

To the extent required by New York Stock Exchange listing standards or other applicable requirements, each year the Committee shall obtain from the Company's external auditor and review a report describing:

- The external auditor's internal control procedures;
- Any material issues raised by the most recent internal quality control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting internal audits carried out by the external auditor and any steps taken to deal with such issues; and
- All relationships between the external auditor and the Company (in order to assess the external auditor's independence).

The Committee shall engage in a dialogue with the Company's external auditor concerning any relationships or services disclosed in its written report that may impact the objectivity or independence of the external auditor and shall recommend that the Board take appropriate action in response to the external auditor's statement as might be deemed necessary to satisfy the Board as to the external auditor's independence.

The Committee shall pre-approve all audit services and, subject to the *de minimus* exception provided under Section 202 of the Sarbanes-Oxley Act, all non-audit services provided by the external auditors. The external auditors shall not be engaged to perform non-audit services proscribed by law or regulation. The Committee may delegate to any of its members the authority to grant pre-approvals of audit and other permitted services, provided that any such pre-approval shall be presented to the full Committee at the next scheduled meeting. All approvals by the Committee for non-

audit services to be performed by the external auditors shall be disclosed in the Company's periodic reports filed with the Securities and Exchange Commission as required by SEC regulations.

The Committee shall review the report prepared by management concerning the Company's internal controls over financial reporting in accordance with SEC regulations.

B. Review Annual Audit Plan

The Committee shall discuss with the Company's external auditor the overall approach to, and scope of, the audit examination with particular attention focused on issues where the Committee, the Board, Management or the external auditor believes special emphasis may be desirable or necessary. This review shall include a discussion concerning the effect of significant changes in accounting principles, auditing standards and SEC reporting requirements with reference to the scope of the audit.

C. Review Results of the Annual Audit

The Committee shall review the Company's audited financial statements. The Committee shall discuss the financial statements and the results of the audit with the Company's external auditor and management, including disclosures under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K. The Committee shall recommend to the Board whether or not the audited financial statements should be included in the Company's Form 10-K.

The Committee shall review with the Company's external auditor any audit problems or difficulties and management's response.

Each external auditor that performs for the Company any audit required under the securities laws shall report, prior to the filing of the audit report with the SEC, to the Committee on: the critical policies and practices of the Company, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, and all other material written communications between the Company's external auditor and management.

The Committee shall review management's disclosure as to the effectiveness of their controls and procedures, all significant deficiencies in the design or operation of the internal controls, and any fraud, whether material or not, involving management or other employees who have a significant role in internal controls.

D. Review of Recommendations for Improvements

Each year the Committee shall obtain from the the external auditor a report of its perception of strengths and weaknesses in the system of internal controls including recommendations for improvements and proposed timetable for implementation.

E. Review Quarterly Reports on Form 10-Q

Prior to filing with the SEC, the Committee shall review interim financial statements that have been the subject of an SAS 100 review performed by the Company's external auditor, and discuss with management and the external auditor the interim financial information contained in the Company's Form 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

F. Release of Material Financial Information

Management shall not release material financial information to the public until after the Chair or another member of the Committee has discussed directly with the external auditor the results of their examination. Management shall discuss with the Committee the Company's earnings press releases, and financial information and earnings guidance, if any, to be provided to analysts and rating agencies.

G. Review Second Opinion Issues

The Committee shall be notified by Management whenever a second opinion is being sought from an independent public accountant.

H. Review Management Representation Letters

The Committee shall periodically review management's representation letters furnished to the external auditors and shall be advised of any difficulties encountered by management in preparing the letter; and by the external auditors as to any difficulties encountered in obtaining the letter.

III. FUNCTIONS - FINANCIAL REPORTING MATTERS

A. Related Party and Major Transactions

The Committee shall review the major transaction memoranda and 18-month report prepared by Management including a review of material transactions and their effect on the financial statements. In addition, Management shall inform the Committee of related party transactions, including relationships and dollar volume (if applicable), at least quarterly.

B. Status of Income and Other Tax Reserves and Significant Disputes with Taxing Authorities

At least quarterly, the Vice President of Taxation or the Chief Financial Officer shall report to the Committee on the status of all income and other tax reserves and deferrals and shall update the Committee concerning new or ongoing disputes with taxing authorities.

C. Other Significant Reserves

The Committee shall be advised by management concerning the existence of and reasons for any other significant accounting accruals, reserves or estimates that have or may have a material impact on the financial statements.

D. Accounting Policies and Policy Decisions

The Committee shall review:

- Any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
- Analyses prepared by management and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements including analyses of the effects of alternative GAAP methods on the financial statements;
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and
- The type and presentation of information to be included in earnings press releases (including any use of "pro forma" or "adjusted" non-GAAP information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

IV. FUNCTIONS - INTERNAL AUDITING MATTERS

A. Personnel Decisions

The Company shall employ a Chief Audit Executive to administer an internal audit department, whose duties shall be set by the Committee. The Committee shall have

sole responsibility for all personnel decisions regarding the Company's Chief Audit Executive and is to be consulted by the Chief Audit Executive concerning decisions affecting the other Internal Audit Department personnel, including, but not limited to, hiring, termination and compensation arrangements.

The Committee shall establish clear hiring policies for employees or former employees of the external auditors that meet SEC regulations, New York Stock Exchange listing standards and any other applicable requirements.

B. Internal Audit Functions

At least annually, the Committee shall review the functions and goals of the Internal Audit Department and may review its findings with Management.

V. FUNCTIONS - OTHER MATTERS

A. Receipt of Complaints

The Committee shall establish procedures for (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

B. Notification by Management of Fraud or Other Serious Breakdowns in Internal Control

The Committee shall be immediately informed by Management or the Internal Audit Department, as appropriate, of any perceived fraud or other material breakdowns in internal control. Upon being informed, the Committee shall:

- Inform the Board; and
- Oversee management's response to the situation.

C. Report of Audit Committee

The Committee shall prepare a report to be included in the Company's annual proxy statement in accordance with SEC regulations.

D. Written Affirmations

The Committee shall review and, if required, approve the annual written affirmations to be provided to the New York Stock Exchange and any other exchanges on which the Company's securities may trade.

E. Other Responsibilities.

- The Committee shall also have responsibility to discuss policies with respect to risk assessment and risk management, including a discussion of guidelines and policies to govern the process by which the Company's exposure to risk is assessed and managed.
- The Committee shall perform such other duties and functions as the Board may direct from time to time.

F. Annual Performance Evaluation

The Committee shall make provision for an annual performance evaluation of the Committee.

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Restated as of April 21, 2005.