

AUDIT COMMITTEE CHARTER
OF
THE NEW HOME COMPANY INC.

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of The New Home Company Inc. (the “Company”) is to: (i) assist the Board in its oversight of (a) the Company’s financial reporting, auditing and internal control activities, (b) the integrity and audits of the Company’s consolidated financial statements, (c) the Company’s compliance with legal and regulatory requirements, (d) the qualifications and independence of the Company’s external auditor (the “Independent Auditor”), (e) the performance of the Independent Auditor and the Company’s internal auditing function (“Internal Audit”), and (f) the Company’s overall risk exposure and management; and (ii) prepare the report of the Committee required to be included in the Company’s annual proxy statement.

The Board recognizes that while the Committee has been given certain duties and responsibilities pursuant to this Charter, the Committee is not responsible for guaranteeing the accuracy of the Company’s financial statements, the quality of the Company’s accounting practices, or the Company’s compliance with legal and regulatory requirements. The fundamental responsibility for the Company’s financial statements and disclosures rests with management and the Independent Auditor. The Board also recognizes that meeting the responsibilities of an Audit Committee requires a degree of flexibility. To the extent that procedures included in this Charter go beyond what is required of an Audit Committee by existing law and regulation, such procedures are meant to serve as guidelines rather than inflexible rules and the Audit Committee may adopt such different or additional procedures as it deems necessary from time to time.

Composition of the Committee

The Committee shall be comprised of three or more directors, each of whom (i) satisfies the independence-related requirements of the New York Stock Exchange (the “NYSE”) and (ii) otherwise satisfies the applicable requirements for audit committee service imposed by the Securities Exchange Act of 1934, as amended (together with the rules promulgated thereunder, the “Exchange Act”) or the NYSE, as well as any other applicable legal or regulatory requirements; provided however, that the Committee may be comprised of a fewer number of directors to the extent permitted under the rules of the NYSE and the Exchange Act. Each member of the Committee shall be financially literate as such qualification is interpreted by the Board, in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee, which may be the chairperson, must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment and must be designated by the Board to be the “audit committee financial expert,” as such term is defined by the Securities and Exchange Commission. No director who serves on the audit committee of more than three public companies (including the Company) shall be eligible to serve as a member of the Committee, unless the Board shall determine that such simultaneous service would not impair the director’s ability to serve effectively on the Committee.

Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.

Any vacancy on the Committee shall be filled by the Board on the recommendation of the Nominating and Corporate Governance Committee, subject to the Board's determination as to whether a particular candidate satisfies the applicable requirements of the NYSE and the Exchange Act, shall serve for such terms as the Board may determine, or until their earlier resignation, death or removal by the Board. The Board may remove directors from the Committee, with or without cause. Unless a Chair is designated by the Board, the Committee may designate a Chair by majority vote of the full Committee membership.

Meetings

The Committee shall meet with such frequency and at such intervals as it shall determine are necessary to carry out its duties and responsibilities but, in any case, not less than four times a year. The Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee.

Delegation

The Committee may form, and delegate authority to, subcommittees when it deems appropriate to the extent permitted under applicable law. Polling of Committee members is not permitted in lieu of meetings.

External Advisors; Funding

The Committee shall have the sole authority to engage and obtain, at the Company's expense, advice and assistance from independent legal, accounting or other advisors as it deems necessary or appropriate to assist in discharging its responsibilities under this Charter. The Committee shall also have authority to obtain advice and assistance from any officer or employee of the Company. The Company shall provide for appropriate funding, as determined by the Committee, for the payment of: (i) compensation to the Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services or other permitted services for the Company; (ii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities; and (iii) as noted above, compensation to independent legal, accounting and other advisors retained by the Committee.

Duties and Responsibilities

The Committee shall:

1. Meet to review and discuss with management and the Independent Auditor the annual audited financial statements and quarterly financial statements, including the specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any other matters required to be reviewed under applicable legal, regulatory or NYSE requirements. In addition, the Committee shall make a

recommendation to the Board as to whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.

2. Discuss with management and the Independent Auditor, as appropriate, earnings press releases, financial presentations and earnings guidance provided to analysts and rating agencies.
3. Select the Independent Auditor to examine the Company's accounts, controls and financial statements. The Committee shall have the sole authority and responsibility to select, appoint, evaluate, compensate, retain and oversee the work of any Independent Auditor and any other independent public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including resolution of disagreements between management and the Independent Auditor regarding financial reporting). Internal Audit and the Independent Auditor will report directly to the Committee. The Committee shall have the sole authority to approve all audit engagement fees and terms, and the Committee, or the chair of the Committee, must pre-approve any audit and non-audit service provided to the Company by the Independent Auditor and the fees and terms thereof, unless the engagement is entered into pursuant to appropriate preapproval policies established by the Committee or if such service falls within available exceptions under SEC rules.
4. Discuss with the Independent Auditor any audit problems or difficulties and management's response.
5. Discuss the Company's policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
6. Obtain and review at least annually a report from the Independent Auditor describing: the Independent Auditor's internal quality-control procedures; the firm's independence; and any material issues raised by internal quality-control reviews, peer review of the firm, or any governmental or other inquiry or investigation relating to any independent audit conducted by the Independent Auditor within the preceding five years. The Committee will also review steps taken by the Independent Auditor to address any findings in any of the foregoing reviews. Also, in order to assess auditor independence, the Committee will review at least annually all relationships between the Independent Auditor and the Company.
7. Prepare the Audit Committee report to be included in the Company's annual report on Form 10-K or annual proxy statement, as the case may be.
8. Set policies for the hiring of employees or former employees of the Independent Auditor.
9. Establish and oversee procedures for the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.

10. Meet separately at least quarterly with management, with Internal Audit and also with the Independent Auditor.
11. Report regularly to the Board, both with respect to the activities of the Committee generally and with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditor and the performance of Internal Audit.
12. At such time as the Committee satisfies the applicable requirements, serve as the qualified legal compliance committee (the "QLCC"), pursuant to Section 307 of the Sarbanes-Oxley Act of 2002, in accordance with the QLCC procedures attached hereto as Exhibit A.
13. Perform such other duties and responsibilities, consistent with this Charter and applicable law, delegated to the Committee by the Board.

The Committee shall conduct an annual performance evaluation to, at a minimum, compare the performance of the Committee to the requirements of this Charter and any other duties or responsibilities delegated to the Committee by the Board and report to the Board the results of the evaluation, which may take the form of an oral presentation by a member of the Committee to the Board.

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

EXHIBIT A – QLCC PROCEDURES

- (1) An attorney (the “Reporting Attorney”) reporting a “material violation” under 17 CFR Part 205 (“Attorney Rules”) is permitted to report evidence of such a material violation directly to the qualified legal compliance committee, which is comprised of all Audit Committee members of the Company (“QLCC”).
- (2) The Company’s officers shall provide contact information for the members of the QLCC to all attorneys who provide services to the Company and would be deemed to be practicing before the Securities and Exchange Commission (the “Commission”) under the Attorney Rules.
- (3) The QLCC shall designate an appropriate repository for the retention of materials generated in connection with the receipt of any report of a material violation by the QLCC.
- (4) Once a report of evidence of a material violation by the Company, its officers, directors, employees or agents has been received by the QLCC, the QLCC has the authority and responsibility:
 - (i) to inform the Company’s Chief Executive Officer of such report; and
 - (ii) to determine whether an investigation is necessary or appropriate, and, if it determines an investigation is necessary or appropriate, to:
 - (A) notify the full Board of Directors;
 - (B) initiate an investigation, which may be conducted, in the discretion of the QLCC, by the Company’s Chief Executive Officer or by outside attorneys and/or other advisors selected by the QLCC; and
 - (C) retain such additional expert personnel as the QLCC deems necessary;and, at the conclusion of such investigation:
 - (D) recommend, by majority vote, that the Company implement an appropriate response to evidence of a material violation; and
 - (E) inform the Company’s Chief Executive Officer and the Board of Directors of the results of any such investigation and the appropriate remedial measures.
 - (iii) by majority vote, to take all other appropriate action, including notifying the Commission in the event that the Company fails in any material respect to implement an appropriate response that the QLCC has recommended.