

SETTLEMENT AGREEMENT

RECITALS

This Settlement Agreement is made and entered into between the U.S. Department of Housing and Urban Development (“HUD” or “Department”), AHT Reinsurance, Inc. (“AHT Reinsurance”), located at 199 Main Street, Burlington, VT 05402, and M.D.C. Holdings, Inc., located at 4350 South Monaco Street, Suite 500, Denver, CO, 80237, (“MDC”), including its Richmond American Homes homebuilding subsidiaries, operating in jurisdictions where properties for which title was reinsured were located (hereinafter referred to collectively as the “Companies”). HUD, MDC and AHT Reinsurance collectively shall be referred to herein as the “Parties.”

WHEREAS, the Secretary of Housing and Urban Development is authorized to enforce the Real Estate Settlement Procedures Act of 1974 (“RESPA” or “the Act”), 12 U.S.C. § 2601 *et seq.*, and its implementing regulations, 24 C.F.R. § 3500 *et seq.*; and

WHEREAS, the Secretary is authorized by Section 19 of RESPA to investigate any facts, conditions, practices, or matters deemed necessary to determine whether any “person,” as defined in Section 3(5) of the Act, has violated or is about to violate any provision of the Act or any rule or regulation prescribed pursuant thereto; and

WHEREAS, Section 8(a) of RESPA, 12 U.S.C. § 2607(a), and the implementing regulations at 24 C.F.R. § 3500.14, prohibit the giving or accepting of any fee, kickback or thing of value pursuant to an agreement or understanding, oral or otherwise, that business incident to or part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person; and

WHEREAS, MDC's homebuilding subsidiaries build homes in various states and may refer homebuyers to certain companies for title insurance; and

WHEREAS, on or about May of 2003, MDC created AHT Reinsurance, a captive title reinsurance company to reinsure certain title insurance business from title insurance companies; and

WHEREAS, HUD initiated an investigation to determine if the Companies' reinsurance arrangement constituted a violation of Section 8(a) of RESPA; and

WHEREAS, it is the position of the Companies that the quota share title reinsurance program, which reinsured title solely on property located in limited jurisdictions, was established and maintained in good faith reliance on HUD's regulations, guidelines and interpretations of RESPA, including its 1997 and 2004 Letters regarding reinsurance (the "HUD Letters"), and in compliance with applicable law (including, but not limited to RESPA and the HUD Letters); and

WHEREAS, the Companies represent that no new title reinsurance business was written after February 2005, notwithstanding the Companies' view that the arrangements complied with applicable law; and

WHEREAS, it is HUD's position that it is a violation of Section 8(a) of RESPA to accept a thing of value in the form of an opportunity to participate in money-making captive title reinsurance arrangements in return for the referral of settlement service business to primary title insurance companies. Further, it is HUD's position that any captive title reinsurance arrangement in which payments to the reinsurer are not bona fide and exceed the value of the reinsurance would violate Section 8 of RESPA. Moreover, in HUD's view, there is almost never any bona fide need or business purpose for title reinsurance on a single family residence, especially from an entity or an affiliate of an entity that is in a position to refer business to the primary title insurer. Further, when there is a history of little or no claims paid or the premium

payments to the captive reinsurer far exceed the risk borne by the reinsurer, there is strong evidence there is an arrangement constructed for the purpose of payment of referral fees or other things of value in violation of Section 8 of RESPA; and

WHEREAS, HUD has made no finding of violations of RESPA or the implementing regulations by the Companies; and

WHEREAS, the Companies have cooperated with HUD; and

WHEREAS, the Parties desire to avoid prolonged proceedings, any further expense of investigation and/or possible litigation, and to finally resolve this matter under the terms and conditions set forth below; and

WHEREAS, the terms of this Settlement Agreement are an appropriate disposition of this case and are in the public interest;

NOW, THEREFORE, in consideration of the mutually negotiated promises, covenants, and obligations in this Settlement Agreement, and based on compliance with the terms of this Settlement Agreement, the Parties reach a final settlement as set forth below:

AGREEMENTS

1. This Settlement Agreement is effective on the date of signature of the last signatory to the Settlement Agreement (hereinafter the "Effective Date").
2. The Department will terminate its investigation of the Companies, and hereby waives, releases, remits and compromises any and all claims, causes, and actions, direct or indirect (together, "Claims"), and agrees to take no enforcement action under RESPA or the implementing regulations against the Companies, their subsidiaries, or their respective shareholders, directors, officers, principals, employees and representatives, with respect to their captive title reinsurance

business described herein, or for which the Department received written materials during its investigation, unless such practices recur.

3. The Companies agree to fully comply with all provisions of RESPA and its implementing regulations.
4. The Companies and their subsidiaries, and their respective directors, officers, shareholders, principals, employees, and representatives (in such individuals' official capacities as directors, officers, principals, employees or representatives) will not enter into any new captive title reinsurance arrangements and will cease writing new captive title reinsurance business; provided, however, that nothing in this Settlement Agreement shall be construed as prohibiting conduct permitted by any future amendments to or repeal of RESPA, or new statutory or regulatory provisions, or HUD policy statements interpreting and applying Section 8 of RESPA.
5. Within thirty (30) business days of the Effective Date, AHT Reinsurance and/or MDC will make a settlement payment totaling six hundred seventy five thousand dollars (\$675,000), payable to the United States Treasury, and delivered to counsel for HUD; provided, however, such payment shall not be considered for any purpose to be a civil money penalty.
6. Nothing in this Settlement Agreement shall be construed as preventing the Companies from unwinding their captive title reinsurance arrangements, including without limitation through the ceding of risk and/or premium to one or more third parties under terms and conditions that differ from the terms and conditions under which such risk and/or premium was obtained. HUD will not consider such unwinding undertaken in conjunction with this Settlement

Agreement to be in violation of RESPA or the implementing regulations, provided that the unwinding does not involve an agreement or understanding for the referral of future settlement service business.

7. This Settlement Agreement applies to and binds the Companies, their homebuilding subsidiaries, and their respective predecessors, successors, assigns, and their respective directors, officers, principals, employees, and representatives (in such individuals' official capacities as directors, officers, principals, employees or representatives of the Companies).
8. The Companies hereby waive, release, remit, and compromise any and all Claims against the Department, or any of its employees, agents, or representatives, with respect to HUD's investigation of this matter or this Settlement Agreement.
9. Should the Companies fail to comply with the terms set out above, or should any of its material representations in this Settlement Agreement, or the written materials submitted by the Companies in connection with this Settlement Agreement, prove to be false (through untrue statement or deliberate or reckless omission) in any material manner, HUD may take appropriate enforcement action, and/or refer the matter to other governmental authorities for further action.
10. This Settlement Agreement constitutes the complete agreement between the Parties as to the matters addressed herein. This Settlement Agreement may not be amended except by written consent of the Parties.
11. By this Settlement Agreement the Parties do not waive, release, remit, or compromise any Claims against any other person not expressly released by this Settlement Agreement.

12. The Parties represent that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.
13. Nothing in this Settlement Agreement shall be construed as an admission of wrongdoing, liability, or legal fault for any conduct underlying this Settlement Agreement, or an admission that any person acted wrongfully.
14. Each person who signs this Settlement Agreement in a representative capacity warrants that his or her execution of this Settlement Agreement is duly authorized, executed, and delivered by and for the entity for which he or she signs.
15. Each of the Parties to this Settlement Agreement shall bear its own attorney's fees and costs, including the preparation and performance of this Settlement Agreement.
16. This Settlement Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute the same agreement.

On Behalf of M.D.C. Holdings, Inc.

Michael Touff
Signature

2/21/06
Date

Michael Touff
Print Name

Senior Vice President
Title

On Behalf of AHT Reinsurance, Inc.




Signature

3/31/06
Date

Patrick A. Rice
Print Name

President
Title

On Behalf of the U.S. Department of Housing and Urban Development:



Brian D. Montgomery
Assistant Secretary for Housing-Federal
Housing Commissioner

4/26/06
Date