

**HMG/COURTLAND PROPERTIES, INC.**

**AUDIT COMMITTEE CHARTER  
(Amended and Restated June 16, 2003)**

The Board of Directors ("Board") of HMG/Courtland Properties, Inc. ("Corporation") has established an Audit Committee with the purposes, authority, responsibilities and specific duties described below.

**I. Purpose**

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) the independent auditor's qualifications and independence, (3) the performance of the Corporation's independent auditors, and (4) the compliance by the Corporation with legal and regulatory requirements.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission ("Commission") to be included in the Corporation's annual proxy statement.

**II. Committee Membership**

The Audit Committee shall consist of no fewer than two members. The members of the Audit Committee shall meet the independence and experience requirements of the American Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 ("Exchange Act") and the rules and regulations of the Commission. At least one member of the Audit Committee shall be a financial expert as defined by the Commission. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies unless the Board has determined that such service would not impair the ability of such member to effectively serve on the Audit Committee.

The members of the Audit Committee shall be appointed, and may be removed, by the Board.

**III. Meetings**

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall periodically meet with management and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

#### **IV. Committee Authority and Responsibilities**

The Audit Committee shall have the sole authority to appoint or replace the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined by the Audit committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall make regular reports to the Board, review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval and annually review the Audit Committee's own performance.

The Audit Committee shall also:

##### *Financial Statement and Disclosure Matters*

A. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Corporation's Form 10-KSB.

B. Review and discuss with management and the independent auditor the Corporation's quarterly financial statements prior to the filing of its Form 10-QSB, including the results of the independent auditor's review of the quarterly financial statements and disclosures made in management's discussion and analysis.

C. Discuss with management and the independent auditor any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of

the Corporation's internal controls and any special steps adopted in light of material control deficiencies.

D. Review and discuss reports from the independent auditors on:

1. All critical accounting policies and practices to be used.
2. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
3. Other material written communications between the independent auditor and management, such as any management letter or schedule of past adjustments.

E. Discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

F. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.

G. Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

H. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

I. Discuss with management and the independent auditor whether there were any accounting adjustments that were proposed by the independent auditor but were determined by management as being immaterial or otherwise not necessary.

J. Review any disclosures made to the Audit Committee by the Corporation's CEO and CFO during their certification process for the Form 10-KSB and Form 10-QSB about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

*Oversight of the Corporation's Relationship with the Independent Auditor*

K. Review and evaluate the lead partner of the independent auditor team.

L. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control review procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Corporation. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.

M. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

N. Establish policies for the Corporation's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Corporation.

O. Discuss with the independent auditor any issues on which the auditor's national office was consulted by the Corporation's audit team.

P. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

*Compliance Oversight Responsibilities*

Q. Obtain from the independent auditor assurance that the audit:

1. contains procedures designed to provide reasonable assurances of detecting illegal acts that would have a direct and material effect on the financial statements;

2. contains procedures designed to identify related party transactions that are material to the financial statements or otherwise require financial statement disclosure; and

3. includes an evaluation of the Corporation's ability to continue as a going concern during the ensuing fiscal year.

R. Obtain reports from management and the independent auditor relating to the conformity by the Corporation and its subsidiary/foreign affiliated entities with applicable legal requirements and the Corporation's Code of Business Conduct and Ethics. Review reports and disclosures of affiliated party transactions. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Ethics.

S. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

T. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies, any employee complaints and any published reports which raise material issues regarding the Corporation's financial statements or accounting policies.

U. Discuss with the Corporation's General Counsel or outside counsel legal matters that may have a material impact on the financial statements or the Corporation's compliance policies.

#### **V. Limitations of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's internal policies. These are the responsibilities of management and the independent auditor.