

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_ to \_\_\_\_

Commission file number 1-08951

**M.D.C. HOLDINGS, INC.**

(Exact name of Registrant as specified in its charter)

Delaware

84-0622967

(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer  
Identification No.)

4350 South Monaco Street, Suite 500

80237

Denver, Colorado

(Zip code)

(Address of principal executive offices)

(303) 773-1100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	552676108	New York Stock Exchange
6.000% Senior Notes due January 2043	552676AQ1	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐

No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒

Accelerated Filer ☐

Emerging Growth Company ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 726(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2020, the aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant was \$1.8 billion based on the closing sales price of \$35.70 per share as reported on the New York Stock Exchange on June 30, 2020.

As of December 31, 2020, the number of shares outstanding of Registrant's common stock was 64,851,126.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of part III of this Form 10-K are incorporated by reference from the Registrant's 2020 definitive proxy statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year.



**M.D.C. HOLDINGS, INC.**  
**FORM 10-K**  
**For the Year Ended December 31, 2020**

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**M.D.C. HOLDINGS, INC.****FORM 10-K****PART I****Forward-Looking Statements**

*Certain statements in this Annual Report on Form 10-K, as well as statements made by us in periodic press releases, oral statements made by our officials in the course of presentations about the Company and conference calls in connection with quarterly earnings releases, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our business, financial condition, results of operation, cash flows, strategies and prospects. These forward-looking statements may be identified by terminology such as “likely,” “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” or the negative of such terms and other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained in this Report are reasonable, we cannot guarantee future results. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports on Forms 10-K, 10-Q and 8-K should be considered.*

**Item 1. Business.***(a) General Development of Business*

M.D.C. Holdings, Inc. is a Delaware corporation. We refer to M.D.C. Holdings, Inc. as the “Company,” “MDC,” “we” or “our” in this Annual Report on Form 10-K, and these designations include our subsidiaries unless we state otherwise. We have two primary operations, homebuilding and financial services. Our homebuilding operations consist of wholly owned subsidiary companies that generally purchase finished lots or develop lots to the extent necessary for the construction and sale primarily of single-family detached homes to first-time and first-time move-up homebuyers under the name “Richmond American Homes.” Our homebuilding operations are comprised of various homebuilding divisions that we consider to be our operating segments. For financial reporting, we have aggregated our homebuilding operating segments into reportable segments as follows: (1) West (includes operating segments located in Arizona, California, Nevada, Washington and Oregon); (2) Mountain (includes operating segments located in Colorado and Utah); and (3) East (includes operating segments located in the mid-Atlantic, which includes Virginia and Maryland, and Florida).

Our financial services operations consist of (1) HomeAmerican Mortgage Corporation (“HomeAmerican”), which originates mortgage loans primarily for our homebuyers, (2) Allegiant Insurance Company, Inc., A Risk Retention Group (“Allegiant”), which provides insurance coverage primarily to our homebuilding subsidiaries on homes that have been delivered and most of our subcontractors for completed work on those delivered homes, (3) StarAmerican Insurance Ltd. (“StarAmerican”), which is a re-insurer of Allegiant claims, (4) American Home Insurance Agency, Inc., which offers third-party insurance products to our homebuyers, and (5) American Home Title and Escrow Company, which provides title agency services to our homebuilding subsidiaries and our customers in certain states. For financial reporting, we have aggregated our financial services operating segments into reportable segments as follows: (1) mortgage operations (represents HomeAmerican only) and (2) other (all remaining operating segments).

*(c) Description of Business*

Our business consists of two primary operations, homebuilding and financial services. Our homebuilding subsidiaries build and sell primarily single-family detached homes that are designed and built to meet local customer preferences. Each homebuilding subsidiary is the general contractor for its projects and retains subcontractors for land development and home construction. Our homebuilding subsidiaries build a variety of home styles in each of their markets, targeting primarily first-time and first-time move-up homebuyers.

For 2020, the percentage of our home deliveries and home sale revenues by state were as follows:

	Percentage of Deliveries	Percentage of Home Sale Revenues
Arizona	20 %	16 %
California	18 %	23 %
Nevada	11 %	11 %
Oregon	2 %	2 %
Washington	3 %	4 %
West	54 %	56 %
Colorado	25 %	29 %
Utah	6 %	5 %
Mountain	31 %	34 %
Maryland	1 %	1 %
Virginia	2 %	2 %
Florida	12 %	7 %
East	15 %	10 %
Total	100 %	100 %

Our financial services operations include subsidiaries that provide mortgage financing, place title insurance and homeowner insurance for our homebuyers, and provide general liability insurance for our subsidiaries and most of our subcontractors.

## Homebuilding Operations

*Operating Divisions.* The primary functions of our homebuilding segments include land acquisition and development, home construction, sales and marketing, and customer service. Operating decisions are made by our local management teams under the oversight of our Chief Operating Decision Maker (“CODM”), or decision-making group, defined as two key executives - our Executive Chairman and Chief Executive Officer. Our organizational structure (i.e., the grouping and reporting of divisions) changes based upon the current needs of the Company. We had 17 active homebuilding operating divisions at the end of December 31, 2020. We had 15 active homebuilding operating divisions at the end of each year ended December 31, 2019 and 2018.

*Corporate Management.* Our homebuilding business is managed primarily through members of senior management in our Corporate segment and our four Asset Management Committees (“AMCs”), three for reviewing real estate transactions and one for reviewing corporate transactions. Each real estate AMC is comprised of the Chief Executive Officer, Chief Financial Officer and one of our other corporate officers, with the corporate AMC comprised of our Chief Executive Officer and Chief Financial Officer. All real estate acquisition transactions are reviewed to confirm that the transaction is projected to achieve the objectives established by our decision-making group and must be approved by one of the real estate AMCs. Generally, the role of our senior management team and/or AMC includes:

- review and approval of division business plans and budgets;
- oversight of land and home inventory levels;
- review of major personnel decisions; and
- review of capital allocation decisions.

Additionally, our corporate executives and corporate departments generally are responsible for establishing and monitoring compliance with our policies and procedures. Among other things, the corporate office has primary responsibility for:

- asset management and capital allocation;
- treasury;
- insurance and risk management;
- merchandising and marketing;
- national purchasing contracts;
- accounting, tax and internal audit functions;

- legal matters;
- human resources and payroll;
- information technology; and
- training and development.

*Housing.* Generally, our homebuilding subsidiaries build single-family detached homes in a number of standardized series, designed to provide variety in the size and style of homes for our potential homebuyers. In certain markets, our homebuilding subsidiaries build and sell attached townhomes. Within each series of our single-family detached homes, our homebuilding subsidiaries build several different floor plans offering standard and optional features (such as upgraded appliances, cabinetry, flooring, etc.). Differences in sales prices of similar models from market-to-market depend primarily upon homebuyer demand, home prices offered by our competitors, market conditions (such as home inventory supply levels), location, cost of land, optional features and design specifications. The series of homes offered at a particular location is based on perceived customer preferences, lot size, area demographics and, in certain cases, the requirements of major land sellers and local municipalities. In general, our homebuilding subsidiaries focus on selling “build-to-order,” also referred to as “dirt sales,” and limit the number of homes started without a contract, also known as “spec homes.”

*Land Acquisition and Development.* Our homebuilding subsidiaries acquire lots with the intention of constructing and selling homes on the acquired land. Generally, we prefer to purchase finished lots using option contracts, in phases or in bulk for cash. However, because there often is significant competition for finished lots, approximately one-half of the lots we purchase require some level of development. In making land purchases, we consider a number of factors, including projected rates of return, estimated gross margins from home sales, sales prices of the homes to be built, mortgage loan limits within the respective county, population and employment growth patterns, proximity to developed areas, estimated cost and complexity of development including environmental and geological factors, quality of schools, estimated levels of competition and demographic trends.

In their option contracts, our homebuilding subsidiaries generally obtain the right to purchase lots in consideration for an option deposit in the form of cash or letters of credit. In the event they elect not to purchase the lots within a specified period of time, they may be required to forfeit the option deposit. Our option contracts do not contain provisions requiring our specific performance.

Our homebuilding subsidiaries may own or have the right under option contracts to acquire undeveloped parcels of real estate that they intend to develop into finished lots. They generally develop our land in phases in order to limit our risk in a particular subdivision and to efficiently employ available capital resources. Generally, building permits and utilities are available and zoning is suitable for the current intended use of substantially all of our undeveloped land. When developed, these lots generally will be used in our homebuilding activities. See “**Forward-Looking Statements**” above.

*Labor and Raw Materials.* Materials used in our homebuilding operations are mainly standard items carried by major suppliers. We generally contract for our materials and labor at a fixed price for the anticipated construction period of our homes. This allows us to mitigate the risks associated with increases in the cost of building materials and labor between the time construction begins on a home and the time it is closed. Increases in the cost of building materials and subcontracted labor may reduce gross margins from home sales to the extent that market conditions prevent the recovery of increased costs through higher home sales prices. From time to time and to varying degrees, we may experience shortages in the availability of building materials and/or labor in each of our markets. These shortages and delays may result in delays in the delivery of homes under construction, reduced gross margins from home sales, or both. See “**Forward-Looking Statements**” above.

*Warranty.* Our homebuilding subsidiaries sell their homes with limited third-party warranties that generally provide for ten years of structural coverage, two years of coverage for plumbing, electrical, heating, ventilation and air conditioning systems, and one year of coverage for workmanship and materials. Under our agreement with the issuer of the third-party warranties, our homebuilding subsidiaries perform all of the work for the first two years of the warranty coverage and pay for substantially all of the work required to be performed during years three through ten of the warranties.

*Seasonal Nature of Business.* The homebuilding industry can experience noticeable seasonality and quarter-to-quarter variability in homebuilding activity levels. The seasonal nature of our business is described in more detail in our description of Risk Factors under the heading “*Because of the seasonal nature of our business, our quarterly operating results can fluctuate.*”

*Backlog.* At December 31, 2020 and 2019, homes under contract but not yet delivered (“backlog”) totaled 6,655 and 3,801, respectively, with an estimated sales value of \$3.26 billion and \$1.75 billion, respectively. We anticipate that homes in backlog at December 31, 2020 generally will close during 2021 under their existing home order contracts or through the replacement of an existing contract with a new home order contract. The estimated backlog sales value at December 31, 2020 may be impacted by, among other things, subsequent home order cancellations, incentives provided, and/or options and upgrades selected. See “**Forward-Looking Statements**” above.

*Customer Service and Quality Control.* Our homebuilding divisions are responsible for pre-closing quality control inspections and responding to customers’ post-closing needs. We have a product service and quality control program, focused on improving and/or maintaining the quality of our customers’ complete home buying and homeownership experience.

*Sales and Marketing.* Our sales and marketing programs are designed to attract homebuyers in a cost effective manner. We have a centralized in-house advertising and marketing department, including digital marketing, that oversees our efforts to communicate the inherent value of our homes to our prospective homebuyers and distinguish our Richmond American Homes brand from our competitors or other home buying opportunities. The main objective of this team is to generate homebuyer leads, which are actively pursued by our community sales associates. Our centralized in-house merchandising team furnishes our model homes and sales offices.

Another important part of our marketing presentation takes place in our design centers (also known as Home Galleries). Here, homebuyers are able to personalize their homes with a variety of options and upgrades. These locations also serve as an information center for prospective homebuyers and real estate agents who may opt to receive personalized attention from one of our new home specialists, resulting in a more focused and efficient home search across all of our Richmond American communities in a given market place. We believe that the services provided by our Home Galleries represent a key competitive advantage in attracting and retaining prospective homebuyers.

*Competition.* The homebuilding industry is fragmented and highly competitive. The competitive nature of our business is described in more detail in our description of Risk Factors.

*Regulation.* Our homebuilding operations are subject to compliance with applicable laws and regulations, which are described in more detail in our description of Risk Factors.

## **Financial Services Operations**

### *Mortgage Lending Operations*

*General.* HomeAmerican is a full-service mortgage lender and the principal originator of mortgage loans for our homebuyers. HomeAmerican has a centralized loan processing center where it originates mortgage loans, primarily for our homebuyers.

HomeAmerican is authorized to originate Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) (together “the government-sponsored enterprises”), Federal Housing Administration-insured (“FHA”), and Department of Veterans Affairs-guaranteed (“VA”) mortgages and is an authorized issuer of Government National Mortgage Association (“Ginnie Mae”) mortgage-backed securities. Furthermore, HomeAmerican also is an authorized loan servicer for Fannie Mae, Freddie Mac and Ginnie Mae and, as such, is subject to the rules and regulations of these entities.

HomeAmerican uses a mortgage repurchase facility, internally generated funds, and temporary financing provided by its parent, to finance the origination of mortgage loans until they are sold. HomeAmerican sells originated mortgage loans to third-party purchasers on either a bulk or flow basis. Mortgage loans sold on a bulk basis include the sale of a package of substantially similar originated mortgage loans, while sales of mortgage loans on a flow basis are completed as HomeAmerican originates each loan. Mortgage loans sold to third-party purchasers include HomeAmerican’s representations and warranties with respect to certain borrower payment defaults, credit quality issues and/or misrepresentations made by HomeAmerican or our homebuyers. Substantially all of the mortgage loans originated by HomeAmerican are sold to third-party purchasers, generally between 5 to 35 days of origination.

*Pipeline.* HomeAmerican’s mortgage loans in process for which a rate and price commitment had been made to a borrower that had not closed (the “locked pipeline”) at December 31, 2020 and 2019 had an aggregate principal balance of approximately \$230.5 million and \$104.5 million, respectively, and were under interest rate lock commitments at an average interest rate of 2.69% and 3.72% respectively.

*Forward Sales Commitments.* HomeAmerican is exposed to market risks related to fluctuations in interest rates. HomeAmerican creates certain derivative instruments in the normal course of business, which primarily include commitments to originate mortgage loans (interest rate lock commitments or locked pipeline). HomeAmerican uses forward sales of mortgage-backed securities and commitments from third-parties to purchase loans to hedge the interest rate risk inherent with the locked pipeline, as well as its loan inventory held for sale. The market related risks in our business are described in more detail in our description of Risk Factors.

*Competition.* HomeAmerican has significant competition with other mortgage bankers to arrange financing for our homebuyers. However, in selling its originated mortgages to third parties, HomeAmerican has benefited from an increased number of smaller non-bank entities entering the third-party purchaser space, resulting in better prices and a potentially wider array of product options. The competitive nature of our mortgage business is described in more detail in our description of Risk Factors.

*Regulation.* Our mortgage lending operations are subject to compliance with applicable laws and regulations, which are described in more detail in our description of Risk Factors.

#### *Insurance Operations*

*General.* Allegiant and StarAmerican were formed to provide insurance coverage of homebuilding risks for our homebuilding subsidiaries and most of our homebuilding subcontractors. Allegiant was organized as a risk retention group under the Federal Liability Risk Retention Act of 1981. Allegiant, which began operations in June of 2004, is licensed as a Class 3 Stock Insurance Company by the Division of Insurance of the State of Hawaii and is subject primarily to the regulations of its state of incorporation. StarAmerican is a single parent captive insurance company licensed by the Division of Insurance of the State of Hawaii. Pursuant to agreements executed on an annual basis since June of 2004, StarAmerican has re-insured Allegiant for all claims in excess of \$50,000 per occurrence up to \$3.0 million per occurrence, subject to various aggregate limits.

Allegiant generates premium revenue generally by providing to its customers, comprised of the Company's homebuilding subsidiaries and most subcontractors of the Company's homebuilding subsidiaries, general liability insurance on homes sold by our homebuilding subsidiaries and for work performed in completed subdivisions. Allegiant seeks to provide to its customers coverage and insurance rates that are competitive with other insurers. StarAmerican generates premium revenue by providing re-insurance coverage to Allegiant. Allegiant and StarAmerican incur expenses for actual losses and loss adjustment expenses and for reserves established based on actuarial studies including known facts, such as our experience with similar insurance cases and historical trends involving insurance claim payment patterns, pending levels of unpaid insurance claims, claim severity, claim frequency patterns and interpretations of circumstances including changing regulatory and legal environments.

*Regulation.* Allegiant and StarAmerican are licensed in the State of Hawaii and, therefore, are subject to regulation by the Hawaii Insurance Division. This regulation includes restrictions and oversight regarding: types of insurance provided; investment options; required capital and surplus; financial and information reporting; use of auditors, actuaries and other service providers; periodic examinations; and other operational items. Additionally, as a risk retention group, Allegiant is also registered in other states where certain MDC homebuilding subsidiaries do business.

#### *Insurance Agency Operations*

American Home Insurance is an insurance agency that sells primarily homeowners' personal property and casualty insurance products in the same markets where our homebuilding subsidiaries operate and primarily to our homebuyers.

#### *Title Operations*

American Home Title provides title agency services to the Company and its homebuyers in Colorado, Florida, Maryland, Nevada and Virginia.



**Human Capital Resources**

The table below summarizes the approximate number of employees for our combined Homebuilding, combined Financial Services and Corporate segments at December 31, 2020 and 2019.

	December 31,	
	2020	2019
Homebuilding	1,350	1,264
Financial Services	185	155
Corporate	238	237
Total	1,773	1,656

We believe our employees are one of our greatest assets and our Company is made up of diverse, talented and dedicated employees working together to achieve common and rewarding goals. We value integrity, hard work, dedication, energy and teamwork. Our goal is to promote an environment where employees are encouraged to do their best work with high professional standards, team collaboration and customer excellence.

At MDC we are committed to fostering a diverse and inclusive workplace. Our management teams and all of our employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. We have implemented and maintained a corporate compliance program to provide guidance for everyone associated with the Company, including its employees, officers and directors (the "Code"). Annual review of the Code is required and it, in summary, prohibits unlawful or unethical activity, including discrimination, and directs our employees, officers, and directors to avoid actions that, even if not unlawful or unethical, might create an appearance of illegality or impropriety. In addition, the Code includes required annual training on preventing, identifying, reporting and stopping any type of unlawful discrimination.

We recognize that we are in a competitive marketplace when it comes to finding top talent. As a result, talent acquisition and the retention of employees continue to be a priority initiative for the Company. Our leaders across all levels of the organization consistently review their business metrics to determine appropriate workforce planning goals. We offer a variety of career paths for our employees; which includes consistent training and development through online resources, job shadowing, mentoring, etc. Our employees may participate in a robust benefits program, which includes a focus on health and wellness, and we offer a variety of other employee perks. We believe our compensation packages and benefits are competitive with others in our industry. We are committed to consistently evaluating total compensation across all positions within the Company.

As we look to the future, we will continue to leverage the core principles and practices that contributed to our past achievements, while welcoming new perspectives that allow our organization to evolve with the changing economic landscape. We will maintain our commitment to quality craftsmanship, providing excellent customer service, hiring from within when possible and fostering an internal culture that supports collaboration and teamwork as well as work-life balance.

In response to the COVID-19 pandemic, we implemented safety protocols and procedures to protect our employees, our subcontractors and our customers. These protocols include complying with social distancing and other health and safety standards as mandated by state and local government agencies, taking into consideration guidance from the Centers for Disease Control and Prevention and other public health authorities. Certainly, there has been a significant shift to moving much of our workforce to a work from home/remote environment, particularly in Corporate and Division offices, to minimize in-person interactions.

*(e) Available Information*

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available free of charge on our website as soon as reasonably practicable after we file or furnish the materials electronically with the Securities and Exchange Commission ("SEC"). To obtain any of this information, go to our website, [www.mdcholdings.com](http://www.mdcholdings.com), and select "SEC Filings" from the "Financial Reports" menu. Our website includes our: (1) Corporate Governance Guidelines; (2) Corporate Code of Conduct; (3) Rules for Senior Financial Officers; (4) Audit Committee Procedures for Handling Confidential Complaints; and (5) charters for the Audit, Compensation, Legal and Corporate Governance/Nominating Committees. These materials may be obtained, free of charge, at [www.mdcholdings.com](http://www.mdcholdings.com) (select "Governance").

**Item 1A. Risk Factors.**

***The recent global Coronavirus/COVID-19 pandemic could harm business and results of operations of the Company.***

Demand for our homes is dependent on a variety of macroeconomic factors, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, wage growth, household formations, levels of new and existing homes for sale, cost of land, labor and construction materials, demographic trends and housing demand. These factors, in particular consumer confidence, can be significantly and adversely affected by a variety of factors beyond our control. In response to the pandemic, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place, the possibility for restrictions to be increased again in the future and the impact these restrictions will have on the U.S. economy and consumer confidence. The degree to which the pandemic will impact our financial results in the coming periods depends on future developments that are highly uncertain, including new information that may emerge concerning the severity of the pandemic, whether there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. If the pandemic continues to cause significant negative impacts to the U.S. economy and consumer confidence, our results of operations, financial condition and cash flows could be significantly and adversely impacted.

***Changes in general economic, real estate and other business conditions may have an adverse effect on the homebuilding and mortgage industries, which could have a negative impact on our business.***

The homebuilding industry is cyclical and is significantly affected by changes in industry conditions, the national political environment and general economic conditions such as:

- employment levels;
- availability of financing for homebuyers;
- interest rates;
- consumer confidence;
- wage growth;
- household formations;
- levels of new and existing homes for sale;
- cost of land, labor and construction materials;
- demographic trends; and
- housing demand.

These conditions may exist on a national level or may affect some of the regions or markets in which we operate more than others. When adverse conditions affect any of our larger markets, they could have a proportionately greater impact on us than on some other homebuilding companies.

Changes to monetary policy or other actions by the Federal Reserve could have an adverse effect on interest rates (including mortgage interest rates), equity markets and consumer confidence. Such effects could cause us to experience declines in the market value of our inventory and the demand for our homes, resulting in a negative impact to our financial position, results of operations and cash flows.

An oversupply of alternatives to new homes, including foreclosed homes, homes held for sale by investors and speculators, other existing homes, and rental properties, can also reduce our ability to sell new homes, depress new home prices and reduce our margins on the sale of new homes. High levels of foreclosures and short-sales not only contribute to additional inventory available for sale, but also can reduce appraisal valuations for new homes, potentially resulting in lower sales prices.

Terrorist attacks, acts of war, other acts of violence or threats to national security, and any corresponding response by the United States or others, or related domestic or international instability, may adversely affect general economic conditions or cause a slowdown of the economy.

As a result of the foregoing matters, potential customers may be less willing or able to buy our homes. In the future, our pricing strategies may continue to be limited by market conditions. We may be unable to change the mix of our home offerings, reduce the costs of the homes we build or offer more affordable homes to maintain our gross margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase as homebuyers choose to not honor their contracts.

Additionally, the factors discussed above may increase our counterparty risk, which may include, among others, banks under our credit facilities and mortgage purchasers who may not be willing or able to perform on obligations to us. To the extent a third-party is unable or unwilling to meet its obligations, our financial position, results of operations and cash flows could be negatively impacted.

Our mortgage operations are closely related to our homebuilding business, as HomeAmerican originates mortgage loans principally to purchasers of the homes we build. Therefore, a decrease in the demand for our homes because of the preceding matters may also adversely affect the financial results of this segment of our business. Furthermore, any adverse changes in the economic conditions discussed previously could increase the default rate on the mortgages we originate, which may adversely affect our ability to sell the mortgages, the pricing we receive upon the sale of mortgages, or our potential exposure to recourse regarding mortgage loan sales.

These challenging conditions are complex and interrelated. We cannot predict their occurrence or severity, nor can we provide assurance that our responses would be successful.

***Increased competition levels in the homebuilding and mortgage lending industries could have a negative impact on our homebuilding and mortgage operations.***

The homebuilding industry is fragmented and highly competitive. Our homebuilding subsidiaries compete with numerous public and private homebuilders, including a number that are substantially larger than us and may have greater financial resources than we do. Our homebuilding subsidiaries also compete with subdivision developers and land development companies, some of which are themselves homebuilders or affiliates of homebuilders. Homebuilders compete for customers, land, building materials, subcontractor labor and desirable financing. Competition for home orders is based primarily on home sales price, location of property, home style, financing available to prospective homebuyers, quality of homes built, customer service and general reputation in the community, and may vary market-by-market and/or submarket-by-submarket. Additionally, competition within the homebuilding industry can be impacted by an excess supply of new and existing homes available for sale resulting from a number of factors, including, among other things, increases in the number of new home communities, increases in speculative homes available for sale and increases in home foreclosures. Increased competition can result in a decrease in our net new home orders, a decrease in our home sales prices and/or an increase in our home sales incentives in an effort to generate new home sales and maintain homes in backlog until they close. These competitive pressures may negatively impact our financial position, results of operations and cash flows.

Our mortgage lending subsidiary, HomeAmerican, experiences competition from numerous banks and other mortgage bankers and brokers, many of which are larger and may have greater financial resources. As a result, these competitors may be able to offer better pricing and/or mortgage loan terms, more relaxed underwriting criteria and a greater range of products, which could negatively impact the financial position, results of operations and cash flows of our mortgage operations.

***If land is not available at reasonable prices or terms, we could be required to scale back our operations in a given market and/or we may operate at lower levels of profitability.***

Our operations depend on our homebuilding subsidiaries' ability to obtain land for the development of our residential communities at reasonable prices and with terms that meet our underwriting criteria. Our ability to obtain land for new residential communities may be adversely affected by changes in the general availability of land, the willingness of land sellers to sell land at reasonable prices, competition for available land, availability of financing to acquire land, zoning, regulations that limit housing density, and other market conditions. If the supply of land, and especially finished lots, appropriate for development of residential communities is limited because of these factors, or for any other reason, the number of homes that our homebuilding subsidiaries build and sell may decline. To the extent that we are unable to purchase land timely or enter into new contracts for the purchase of land at reasonable prices, due to the lag time between the time we acquire land and the time

we begin selling homes, we may be required to scale back our operations in a given market and/or we may operate at lower levels of profitability. As a result, our financial position, results of operations and cash flows could be negatively impacted.

***Supply shortages and other risks related to the demand for skilled labor and building materials could increase costs and delay deliveries.***

The residential construction industry experiences price fluctuations and shortages in labor and materials from time to time. Shortages in labor can be due to: work stoppages, labor disputes, shortages in qualified trades people, lack of availability of adequate utility infrastructure and services, or our need to rely on local subcontractors who may not be adequately capitalized or insured. Labor and material shortages can be more severe during periods of strong demand for housing or during periods in which the markets where we operate experience natural disasters that have a significant impact on existing residential and commercial structures. Additionally, we could experience labor shortages as a result of subcontractors going out of business or leaving the residential construction market due to low levels of housing production and volumes. Pricing for labor and materials can be affected by the factors discussed above, changes in energy prices, and various other national, regional and local economic factors. In addition, environmental and other regulations and import tariffs and trade restrictions have had, and in the future could continue to have, an adverse impact on the cost of certain raw materials such as lumber. Recalls of materials driven by manufacturing defects can drive shortages in materials and delay the delivery of homes. Any of these circumstances could give rise to delays in the start or completion of our residential communities, increase the cost of developing one or more of our residential communities and/or increase the construction cost of our homes.

We generally are unable to pass on increases in construction costs to customers who have already entered into sales contracts, as those sales contracts fix the price of the homes at the time the contracts are signed, which generally is in advance of the construction of the home. To the extent that market conditions prevent the recovery of increased costs, including, among other things, subcontracted labor, finished lots, building materials, and other resources, through higher selling prices, our financial position, cash flows and operating results, including our gross margin from home sales, could be negatively impacted.

***If mortgage interest rates rise, if down payment requirements are increased, if loan limits are decreased, or if mortgage financing otherwise becomes less available, it could adversely affect our business.***

Mortgage liquidity influenced by governmental entities like the FHA, VA, USDA and Ginnie Mae or government-sponsored enterprises (“GSEs”) like Fannie Mae and Freddie Mac continue to be an important factor in marketing our homes. Financial losses or other factors may limit, restrict or otherwise curtail their ability or willingness to insure mortgage loans, offer insurance at rates and on terms that are not prohibitive, or purchase mortgage loans. Should this occur, it may negatively impact the availability of mortgage financing and our sales of new homes.

We believe that the liquidity provided by Fannie Mae, Freddie Mac and Ginnie Mae to the mortgage industry has been very important to the housing market. The future of Fannie Mae and Freddie Mac are in question and any reduction in the availability of the liquidity provided by these institutions could adversely affect interest rates, mortgage availability and our sales of new homes and mortgage loans.

Loans sold to or insured by the GSEs are subject to various loan limits. Decreases in these loan limits may require homebuyers to make larger down payments or obtain more restrictive non-conforming or “jumbo” mortgages, which could adversely impact on our financial position, results of operations and cash flows.

Even if potential customers do not need financing, changes in the availability of mortgage products may make it harder for them to sell their current homes to potential buyers who need financing.

If interest rates increase, the costs of owning a home may be affected and could result in further reductions in the demand for our homes.

***Changes to tax laws, incentives or credits currently available to our customers may negatively impact our business.***

Many homeowners receive substantial tax benefits in the form of tax deductions against their personal taxable income for mortgage interest and property tax payments and the loss or reduction of these deductions could affect homeowners’ net cost of owning a home. Significant changes to existing tax laws, such as the ability to deduct mortgage interest and real property taxes, may result in an increase in the total cost of home ownership and may make the purchase of a home less attractive to buyers. This could adversely impact demand for and/or sales prices of new homes, which would have a negative impact on our business.

***A decline in the market value of our homes or carrying value of our land would have a negative impact on our business.***

Our homebuilding subsidiaries acquire land for the replacement of land inventory and/or expansion within our current markets and may, from time to time, purchase land for expansion into new markets. The fair value of our land and land under development inventory and housing completed or under construction inventory depends on market conditions. Factors that can impact our determination of the fair value of our inventory primarily include home sale prices, levels of home sale incentives and home construction and land costs. Our home sale prices and/or levels of home sale incentives can be impacted by, among other things, uncertainty in the homebuilding and mortgage industries or the United States/global economy overall, decreased demand for new homes, decreased home prices offered by our competitors, home foreclosure and short-sale levels, decreased ability of our homebuyers to obtain suitable mortgage loan financing and high levels of home order cancellations. Under such circumstances, we may be required to record impairments of our inventory. Any such inventory impairments would have a negative impact on our financial position and results of operations.

***Natural disasters could cause an increase in home construction costs, as well as delays, and could negatively impact our business.***

The climates and geology of many of the markets in which we operate present increased risks of natural disasters. To the extent that hurricanes, severe storms, earthquakes, droughts, floods, heavy or prolonged precipitation, wildfires or other natural disasters or similar events occur, the financial position, results of operations and cash flows of our business may be negatively impacted.

***Changes in energy prices or regulations may have an adverse effect on our cost of building homes.***

Some of the markets in which we operate are impacted by regulations related to energy, such as setbacks required from oil / gas drilling operations or restrictions on the use of land. To the extent that these regulations are modified, the value of land we already own or the availability of land we are looking to purchase may decline, which may adversely impact the financial position, results of operations and cash flows of our business. Furthermore, pricing offered by our suppliers and subcontractors can be adversely affected by increases in various energy costs resulting in a negative impact to our financial position, results of operations and cash flows of our business.

***We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets, and disruptions in these markets could have an adverse impact on the results of our business.***

We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets. Our requirements for additional capital, whether to finance operations or to service or refinance our existing indebtedness, fluctuate as market conditions and our financial performance and operations change. We cannot provide assurance that we will maintain cash reserves and generate sufficient cash flow from operations in an amount to enable us to service our debt or to fund other liquidity needs.

The availability of additional capital, whether from private capital sources or the public capital markets, fluctuates as our financial condition and market conditions in general change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources. Additionally, any reduction in our credit rankings and/or a weakening of our financial condition, could adversely affect our ability to obtain necessary funds. Even if financing is available, it could be costly or have other adverse consequences.

In addition, the sources and terms and conditions of our mortgage repurchase facility are subject to change. These changes may impact, among other things, availability of capital, cost of borrowings, collateral requirements and collateral advance rates.

***Our business is subject to numerous federal, state and local laws and regulations concerning land development, construction of homes, sales, mortgage lending, environmental and other aspects of our business. These laws and regulations could give rise to additional liabilities or expenditures, or restrictions on our business.***

Our operations are subject to continuing compliance requirements mandated by applicable federal, state and local statutes, ordinances, rules and regulations, including zoning and land use ordinances, building, plumbing and electrical codes, contractors' licensing laws, state insurance laws, federal and state human resources laws and regulations, and health and safety laws and regulations. Various localities in which we operate have imposed (or may impose in the future) fees on developers to fund schools, road improvements and low and moderate-income housing.

Availability of and costs related to permit, water/sewer tap, and impact fees can impact our homebuilding operations. From time to time, various municipalities in which our homebuilding subsidiaries operate restrict or place moratoria on the availability of utilities, including water and sewer taps. Additionally, certain jurisdictions in which our homebuilding subsidiaries operate have proposed or enacted “slow growth” or “no growth” initiatives and other measures that may restrict the number of building permits available in any given year. These initiatives or other similar measures could reduce our ability to open new subdivisions and build and sell homes in the affected markets. The availability issues previously discussed and any increases in costs of these fees may negatively impact our financial position, results of operations and cash flows.

Our homebuilding operations also are affected by environmental laws and regulations pertaining to availability of water, municipal sewage treatment capacity, stormwater discharges, land use, hazardous waste disposal, dust controls, oil and gas operations, building materials, population density and preservation of endangered species, natural terrain and vegetation.

The particular environmental laws and regulations that apply to any given homebuilding project vary greatly according to a particular site’s location, the site’s environmental conditions and the present and former uses. These environmental laws may result in project delays, cause us to incur substantial compliance and other costs and/or prohibit or severely restrict homebuilding activity in certain environmentally sensitive locations. Environmental laws and regulations may also have a negative impact on the availability and price of certain raw materials, such as lumber.

We also are subject to rules and regulations with respect to originating, processing, selling and servicing mortgage loans, which, among other things: prohibit discrimination and establish underwriting guidelines; provide for audits and inspections; require appraisals and/or credit reports on prospective borrowers and disclosure of certain information concerning credit and settlement costs; establish maximum loan amounts; prohibit predatory lending practices; and regulate the referral of business to affiliated entities.

The regulatory environment for mortgage lending is complex and ever changing and has led to an increase in the number of audits and examinations in the industry. These examinations can include consumer lending practices, sales of mortgages to financial institutions and other investors and the practices in the financial services segments of homebuilding companies. New rules and regulations or revised interpretations of existing rules and regulations applicable to our mortgage lending operations could result in more stringent compliance standards, which may substantially increase costs of compliance.

***In the ordinary course of business, we are required to obtain surety bonds, the unavailability of which could adversely affect our business.***

As is customary in the homebuilding industry, we often are required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. Our ability to obtain surety bonds primarily depends upon our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market and the underwriting practices of surety bond issuers. The ability to obtain surety bonds also can be impacted by the willingness of insurance companies to issue surety bonds. If we are unable to obtain surety bonds when required, our financial position, results of operations and cash flows could be adversely impacted.

***Decreases in the market value of our investments in marketable securities could have an adverse impact on our business.***

Due to the nature of our insurance operations, we have a significant amount of investments in marketable securities, the market value of which is subject to changes from period to period. Decreases in the market value of our marketable securities could have an adverse impact on our financial position, results of operations and cash flows.

***Product liability litigation and warranty claims that arise in the ordinary course of business may be costly.***

As a homebuilder, we are subject to construction defect and home warranty claims, as well as claims associated with the sale and financing of our homes arising in the ordinary course of business. These types of claims can be costly. The costs of insuring against or directly paying for construction defect and product liability claims can be high and the amount of coverage offered by insurance companies may be limited. If we are not able to obtain adequate insurance against these claims, we may incur additional expenses that would have a negative impact on our results of operations in future reporting periods. Additionally, changes in the facts and circumstances of our pending litigation matters could have a material impact on our financial position, results of operations and cash flows.

***Repurchase requirements associated with HomeAmerican's sale of mortgage loans, could negatively impact our business.***

We are subject to risks associated with mortgage loans, including conventional mortgage loans, FHA and VA mortgage loans, second mortgage loans, high loan-to-value mortgage loans and jumbo mortgage loans (mortgage loans with principal balances that exceed various thresholds in our markets). These risks may include, among other things, compliance with mortgage loan underwriting criteria and the associated homebuyers' performance, which could require HomeAmerican to repurchase certain of those mortgage loans or provide indemnification. Repurchased mortgage loans and/or the settlement of claims associated with such loans could have a negative impact on HomeAmerican's financial position, results of operations and cash flows.

***Because of the seasonal nature of our business, our quarterly operating results can fluctuate.***

We may experience noticeable seasonality and quarter-to-quarter variability in homebuilding activity levels. In general, the number of homes delivered and the associated home sale revenues increase during the third and fourth quarters, compared with the first and second quarters. We believe that this type of seasonality reflects the historical tendency of homebuyers to purchase new homes in the spring and summer with deliveries scheduled in the fall or winter, as well as the scheduling of construction to accommodate seasonal weather conditions in certain markets.

***We are dependent on the services of key employees, and the loss of their services could hurt our business.***

Although we believe that we have made provision for adequately staffing current operations, because of competition for experienced homebuilding industry personnel, retaining our skilled people is an important area of focus. Our future success depends, in part, on our ability to attract, train and retain skilled personnel. If we are unable to retain our key employees or attract, train and retain other skilled personnel in the future, it could have an adverse impact on our financial position, results of operations and cash flows.

***The interests of certain controlling shareholders may be adverse to other investors***

Larry A. Mizel and David D. Mandarich beneficially own, directly or indirectly through their affiliates, in the aggregate, approximately 23% of our common stock. To the extent they and their affiliates vote their shares in the same manner, their combined stock ownership may effectively give them the power to influence the election of members of our board of directors and other matters reserved for our shareholders.

***Information technology failures and data security breaches could harm our business.***

We use information technology and other computer resources to carry out important operational activities and to maintain our business records. These information technology systems are dependent upon electronic systems and other aspects of the internet infrastructure. A material breach in the security of our information technology systems or other data security controls could result in third parties obtaining or corrupting customer, employee or company data. Such occurrences could have a material and adverse effect on our financial position, results of operations and cash flows.

***Item 1B. Unresolved Staff Comments.***

None.

***Item 2. Properties.***

Our corporate office is located at 4350 South Monaco Street, Denver, Colorado 80237, where we lease all 144,000 square feet of office space in the building. In many of our markets, our homebuilding divisions and other MDC subsidiaries lease additional office space. While we are currently satisfied with the suitability and capacity of our office locations to meet our current business needs, we continue to evaluate them in view of market conditions and the size of our operations.

***Item 3. Legal Proceedings.***

Because of the nature of the homebuilding business, we and certain of our subsidiaries and affiliates have been named as defendants in various claims, complaints and other legal actions arising in the ordinary course of business, including product liability claims and claims associated with the sale and financing of our homes. In the opinion of management, the outcome of these ordinary course matters will not have a material adverse effect upon our financial condition, results of operations or cash flows.



**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**
**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

At December 31, 2020, we had 560 shareholders of record. The shares of our common stock are traded on the New York Stock Exchange under the trading symbol MDC. On January 28, 2019, the Company announced an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with Accounting Standards Codification Topic 260, "Earnings per Share", basic and diluted earnings per share amounts, weighted-average shares outstanding, and dividends declared per share have been restated for all periods presented to reflect the effect of these stock dividends.

The table below sets forth the cash dividends declared and paid in 2020, 2019 and 2018

	Date of Declaration	Date of Payment	Dividend per Share	Total Dividends Paid
(In thousands)				
<b>2020</b>				
First Quarter	01/27/20	02/26/20	\$ 0.33	\$ 20,768
Second Quarter	04/01/20	05/20/20	0.33	20,914
Third Quarter	07/27/20	08/26/20	0.33	21,374
Fourth Quarter	10/26/20	11/24/20	0.40	25,952
			<u>\$ 1.39</u>	<u>\$ 89,008</u>
<b>2019</b>				
First Quarter	01/28/19	02/27/19	\$ 0.28	\$ 17,019
Second Quarter	04/29/19	05/29/19	0.30	18,521
Third Quarter	07/22/19	08/21/19	0.30	18,700
Fourth Quarter	10/28/19	11/27/19	0.30	18,780
			<u>\$ 1.18</u>	<u>\$ 73,020</u>
<b>2018</b>				
First Quarter	01/22/18	02/21/18	\$ 0.28	\$ 16,865
Second Quarter	04/30/18	05/23/18	0.28	16,928
Third Quarter	07/23/18	08/22/18	0.28	16,940
Fourth Quarter	10/22/18	11/21/18	0.28	16,984
			<u>\$ 1.11</u>	<u>\$ 67,717</u>

On January 25, 2021, the Company declared a cash dividend of \$0.40 per share as well as an 8% stock dividend. The cash dividend will be payable February 24, 2021 to shareholders of record on February 10, 2021. The stock dividend will be distributed on March 17, 2021 to shareholders of record on March 3, 2021, with a brokers' cut-off date of March 10, 2021, and will be in the form of one additional share of MDC common stock for 12.5 shares owned by shareholders on the record date. Cash will be paid in lieu of fractional shares based on the closing price of MDC's common stock on the record date.



The following table provides information about our repurchases of common stock during the Three Months Ended December 31, 2020:

Period:	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program <sup>(2)</sup>	Maximum Number of Shares that may yet be Purchased under the Plan or Program <sup>(2)</sup>
October 1 to October 31, 2020	—	N/A	—	4,000,000
November 1 to November 30, 2020	—	N/A	—	4,000,000
December 1 to December 31, 2020	28,334	\$ 48.60	—	4,000,000

(1) Represents shares of common stock withheld by us to cover withholding taxes due upon the vesting of restricted stock award shares, at the election of certain holders of nonvested shares, with market value approximating the amount of withholding taxes due.

(2) We are authorized to repurchase up to 4,000,000 shares of our common stock. There were no shares of MDC common stock repurchased under this repurchase program during the years ended December 31, 2020, 2019 or 2018. This repurchase authorization has no expiration.

## Performance Graph

Set forth below is a graph comparing the yearly change in the cumulative total return of MDC's common stock with the cumulative total return of the S&P 500® Stock Index and with that of a peer group of other homebuilders over the five-year period ended December 31, 2020, weighted as of the beginning of that period.

It is assumed in the graph that \$100 was invested (1) in our common stock; (2) in the stocks of the companies in the S&P 500® Stock Index; and (3) in the stocks of the peer group companies, just prior to the commencement of the period and that all dividends received within a quarter were reinvested in that quarter. The peer group index is composed of the following companies: Beazer Homes USA, Inc., D.R. Horton, Inc., Hovnanian Enterprises, Inc., KB Home, Lennar Corporation, M/I Homes, Inc., Meritage Homes Corporation, NVR, Inc., PulteGroup, Inc. and Toll Brothers, Inc.

The stock price performance shown on the following graph is not indicative of future price performance.



**Item 6. Selected Financial Data.**

The data in these tables and related footnotes should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
(Dollars in thousands, except per share amounts)					
<b>Income Statement Data</b>					
Homebuilding revenues	\$ 3,765,379	\$ 3,205,248	\$ 2,981,811	\$ 2,503,242	\$ 2,262,853
Financial services revenues	135,832	88,005	83,405	74,372	63,991
Total revenues	\$ 3,901,211	\$ 3,293,253	\$ 3,065,216	\$ 2,577,614	\$ 2,326,844
Homebuilding pretax income <sup>(1)</sup>	\$ 378,517	\$ 244,762	\$ 217,494	\$ 185,939	\$ 115,378
Financial services pretax income	78,995	60,227	46,360	43,793	36,403
Total income before income taxes	\$ 457,512	\$ 304,989	\$ 263,854	\$ 229,732	\$ 151,781
Net income <sup>(1)</sup>	\$ 367,582	\$ 238,312	\$ 210,780	\$ 141,835	\$ 103,211
Basic earnings per share <sup>(3)</sup>	\$ 5.76	\$ 3.84	\$ 3.46	\$ 2.35	\$ 1.72
Diluted earnings per share <sup>(3)</sup>	\$ 5.58	\$ 3.72	\$ 3.39	\$ 2.30	\$ 1.71
Weighted Average Common Shares Outstanding:					
Basic <sup>(3)</sup>	63,455,422	61,616,988	60,571,123	60,117,021	59,821,090
Diluted <sup>(3)</sup>	65,441,279	63,702,666	61,830,761	61,453,578	60,007,954
<b>Balance Sheet Data</b>					
Cash and cash equivalents	\$ 488,629	\$ 459,933	\$ 463,776	\$ 505,428	\$ 282,909
Marketable securities	\$ —	\$ 56,747	\$ 40,879	\$ 91,638	\$ 96,206
Total inventories	\$ 2,832,230	\$ 2,366,575	\$ 2,132,994	\$ 1,829,736	\$ 1,758,814
Total assets	\$ 3,864,920	\$ 3,338,356	\$ 3,001,077	\$ 2,780,292	\$ 2,528,589
Senior notes, net <sup>(2)</sup>	\$ 1,037,391	\$ 989,422	\$ 987,967	\$ 986,597	\$ 841,646
Mortgage repurchase facility	\$ 202,390	\$ 149,616	\$ 116,815	\$ 112,340	\$ 114,485
Stockholders' equity	\$ 2,119,912	\$ 1,782,485	\$ 1,576,000	\$ 1,407,287	\$ 1,320,070
Stockholders' equity per common share <sup>(3)</sup>	\$ 32.69	\$ 28.49	\$ 25.78	\$ 23.22	\$ 21.98
Cash dividends declared per share <sup>(3)</sup>	\$ 1.39	\$ 1.18	\$ 1.11	\$ 0.85	\$ 0.81
<b>Operational Data</b>					
Homes delivered (units)	8,158	6,974	6,197	5,541	5,054
Average selling price	\$ 462	\$ 460	\$ 481	\$ 451	\$ 447
Net new orders (units)	11,012	7,839	5,974	5,816	5,606
Homes in backlog at period end (units)	6,655	3,801	2,936	3,159	2,884
Estimated backlog sales value at period end	\$ 3,263,000	\$ 1,745,000	\$ 1,426,000	\$ 1,602,000	\$ 1,382,000
Estimated average selling price of homes in backlog	\$ 490	\$ 459	\$ 486	\$ 507	\$ 479
Active subdivisions at period-end	194	185	166	151	164

(1) During 2017, we realized a pretax gain of \$53.6 million on investment sales.

(2) During 2017, we issued an additional \$150.0 million of 6.000% senior notes due January 2043 for net proceeds of \$146.5 million. During 2020, we issued an additional \$300.0 million of 3.850% senior notes due January 2030 for net proceeds of \$298.1 million.

(3) As a result of the stock dividends distributed during 2019 and 2017, the balances for the years ended December 31, 2018, 2017 and 2016 have been adjusted.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Item 1A, Risk Factors Relating to our Business." This section of this Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

	2020	2019	2018
	(Dollars in thousands, except per share amounts)		
<b>Homebuilding:</b>			
Home sale revenues	\$ 3,765,379	\$ 3,205,248	\$ 2,981,811
Home cost of sales	(2,982,668)	(2,600,196)	(2,415,139)
Inventory impairments	—	(935)	(21,850)
Total cost of sales	(2,982,668)	(2,601,131)	(2,436,989)
Gross profit	782,711	604,117	544,822
Gross margin %	20.8 %	18.8 %	18.3 %
Selling, general and administrative expenses	(403,218)	(362,790)	(329,801)
Interest and other income	4,233	9,070	7,718
Other expense	(5,209)	(5,635)	(5,245)
Homebuilding pretax income	378,517	244,762	217,494
<b>Financial Services:</b>			
Revenues	135,832	88,005	83,405
Expenses	(52,465)	(45,001)	(38,200)
Other income (expense), net	(4,372)	17,223	1,155
Financial services pretax income	78,995	60,227	46,360
Income before income taxes	457,512	304,989	263,854
Provision for income taxes	(89,930)	(66,677)	(53,074)
Net income	\$ 367,582	\$ 238,312	\$ 210,780
<b>Earnings per share:</b>			
Basic	\$ 5.76	\$ 3.84	\$ 3.46
Diluted	\$ 5.58	\$ 3.72	\$ 3.39
<b>Weighted average common shares outstanding:</b>			
Basic	63,455,422	61,616,988	60,571,123
Diluted	65,441,279	63,702,666	61,830,761
Cash dividends declared per share	\$ 1.39	\$ 1.18	\$ 1.11
<b>Cash provided by (used in):</b>			
Operating Activities	\$ (23,095)	\$ 57,833	\$ (7,906)
Investing Activities	\$ 21,685	\$ (28,785)	\$ 20,214
Financing Activities	\$ 31,170	\$ (24,975)	\$ (56,409)

## EXECUTIVE SUMMARY

### Overview

#### *Industry Conditions and Outlook for MDC\**

The Coronavirus/COVID-19 pandemic began impacting the U.S. economy during the latter part of March 2020, adversely affecting consumer demand, financial markets and employment levels. The homebuilding industry was not immune to the impact of the pandemic as we experienced an industry-wide decrease in traffic and order activity as well as increased cancellation levels during the months of March and April. However, with some limited exceptions, residential construction was designated an essential business, allowing us to continue to construct and sell homes. We implemented numerous operational changes to promote social distancing and comply with health and safety standards required by state and local governments, taking into consideration guidelines of the Centers for Disease Control and Prevention and other public health authorities.

We began experiencing a resurgence in demand in May 2020 that continued through year-end. This increase in demand was driven by low interest rates, a continued undersupply of affordable homes and a renewed focus on homeownership. We believe that the homebuilding industry potentially is poised for further growth, with (1) millennials continuing to age into their prime home-buying years, (2) homeownership becoming more important due to the increased prominence of remote work and school arrangements, and (3) many consumers migrating away from high cost, densely populated urban areas.

The resurgence in demand resulted in an 87% year-over-year increase in the dollar value of our backlog to \$3.26 billion at the end of 2020. It also allowed us to increase pricing in the majority of our communities, resulting in a year-over-year increase in the estimated average gross margin of our homes in backlog at December 31, 2020. The improvement in our backlog provides us with the opportunity for significant year-over-year increases in home sale revenues and pretax income in coming quarters. However, even with this strong demand to end the year, we remain cautious and continue to closely monitor developments related to COVID-19, which are highly uncertain and could adversely impact our operations and financial results in future periods.

We ended the year with total liquidity of \$1.70 billion following the expansion of our credit facility in December, which increased the total amount available under the facility to \$1.20 billion. Additionally, on January 11, 2021, we issued \$350 million of 10-year senior notes at a rate of 2.500%, which is the lowest rate for any senior note issuance in our Company's history. We believe that our financial position ranks among the best in the homebuilding industry and provides us with the capital resources to drive the continued growth of our business. We enter 2021 with a goal of delivering between 10,000 and 11,000 homes and growing our year-end active community count by at least 10%.

#### *Results for the Twelve Months Ended December 31, 2020*

For the year ended December 31, 2020, we reported net income of \$367.6 million, or \$5.58 per diluted share, a 54% increase compared to net income of \$238.3 million, or \$3.72 per diluted share, for the prior year period. Both our homebuilding and financial services businesses contributed to these year-over-year improvements, as pretax income from our homebuilding operations increased \$133.8 million, or 55%, and our financial services pretax income increased \$18.8 million, or 31%. The increase in homebuilding pretax income was the result of a 260 basis point increase in our operating margin and a 17% increase in home sale revenues. The increase in operating margin is the result of our improved pricing over the last twelve months as well as better operating leverage as we continue to grow our homebuilding operations. The increase in financial services pretax income was due to our mortgage business, which experienced a higher interest rate lock volume, an increase in the number of mortgages we originated as a percentage of our total homes delivered ("Capture Rate") and an increased profit margin on loans originated during the year. Additionally, our net income benefited from a decrease in our effective tax rate, primarily due to a larger benefit from energy tax credits.

The dollar value of our net new home orders increased 56% from the prior year, due to a 40% increase in the number of net new orders and a 11% increase in the average selling price of those orders. The increase in the number of net new orders was due to an increase in the monthly sales absorption rate driven by strong demand during the second half of the year. The increase in the average selling price was the result of price increases implemented over the past twelve months as well as a shift in geographical mix to some higher priced markets.

\* See "Forward-Looking Statements" above.

## Homebuilding

### Pretax Income (Loss)

	December 31,						
	Change			Change			
	2020	Amount	%	2019	Amount	%	2018
	(Dollars in thousands)						
West	\$ 229,951	\$ 66,882	41 %	\$ 163,069	\$ 34,240	27 %	\$ 128,829
Mountain	175,001	38,688	28 %	136,313	1,603	1 %	134,710
East	20,006	10,149	103 %	9,857	(2,754)	(22)%	12,611
Corporate	(46,441)	18,036	(28)%	(64,477)	(5,821)	10 %	(58,656)
Total homebuilding pretax income	\$ 378,517	\$ 133,755	55 %	\$ 244,762	\$ 27,268	13 %	\$ 217,494

Homebuilding pretax income for 2020 was \$378.5 million, an increase of \$133.8 million from \$244.8 million for the year ended December 31, 2019. The increase was primarily attributable to a 17% increase in home sale revenues as well as a 200 basis point improvement in gross margin from home sales.

Our West segment experienced a \$66.9 million year-over-year increase in pretax income, due to a 19% increase in home sales revenue and an improved gross margin, which were slightly offset by a \$14.0 million increase in general and administrative expenses resulting from the change in our Corporate cost allocation discussed below. Our Mountain segment experienced a \$38.7 million increase in pretax income from the prior year, as a result of a 14% increase in home sales revenue and an improved gross margin, which were slightly offset by a \$7.2 million increase in general and administrative expenses due to the change in our Corporate cost allocation. Our East segment experienced a \$10.1 million increase in pretax income from the prior year, due primarily to a 21% increase in home sales revenue and an improved gross margin, which were slightly offset by a \$3.0 million increase in general and administrative expenses resulting from the change in our Corporate cost allocation. Our Corporate segment experienced an \$18.0 million increase in pretax income, due primarily to the impact of the change in our Corporate cost allocation.

On a periodic basis, we assess our Corporate cost allocation estimates. Our most recent assessment resulted in increases in Corporate cost allocations to both our homebuilding and financial services segments beginning January 1, 2020, to reflect the use of centralized administrative functions. Applying the most recent cost allocation estimate to the year ended December 31, 2019 would have resulted in decreased pretax income for our homebuilding and financial services segments of approximately \$11.1 million and \$1.6 million, respectively, with corresponding increases in our Corporate segment pretax income. Additionally, beginning January 1, 2020, we have reflected the expense associated with all homebuilding employee bonuses in the respective homebuilding segment to which the employee reports, consistent with how the CODM is now evaluating homebuilding division performance and making operating decisions. Had these bonuses been reflected in a similar manner during the year ended December 31, 2019, pretax income for our homebuilding segments would have decreased by an additional \$13.1 million with a corresponding decrease in our Corporate segment pretax loss.

### Assets

	December 31,		Change	
	2020	2019	Amount	%
	(Dollars in thousands)			
West	\$ 1,855,567	\$ 1,461,645	\$ 393,922	27 %
Mountain	905,007	869,665	35,342	4 %
East	274,937	194,592	80,345	41 %
Corporate	470,909	505,507	(34,598)	(7)%
Total homebuilding assets	<u>\$ 3,506,420</u>	<u>\$ 3,031,409</u>	<u>\$ 475,011</u>	<u>16 %</u>

Total homebuilding assets increased 16% from December 31, 2019 to December 31, 2020. Increases in each of our homebuilding segments were the result of increases in our inventory balances. These increases were driven by a greater number of lots acquired during 2020 than those delivered to homebuyers during the year as well as an increase in homes completed or under construction as of year-end. The funds for this land acquisition and construction activity came from our Corporate segment, causing a decline in our Corporate segment's assets that was mostly offset by the net proceeds from home sales.

### *New Home Deliveries & Home Sale Revenues:*

Changes in home sale revenues are impacted by changes in the number of new homes delivered and the average selling price of those delivered homes. Commentary for each of our segments on significant changes in these two metrics is provided below.

December 31,									
2020				2019			% Change		
Homes	Dollar Value	Average Price		Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
(Dollars in thousands)									
West	4,412	\$ 2,106,241	\$ 477.4	3,763	\$ 1,771,061	\$ 470.7	17 %	19 %	1 %
Mountain	2,530	1,293,779	511.4	2,242	1,131,568	504.7	13 %	14 %	1 %
East	1,216	365,359	300.5	969	302,619	312.3	25 %	21 %	(4)%
Total	8,158	\$ 3,765,379	\$ 461.6	6,974	\$ 3,205,248	\$ 459.6	17 %	17 %	— %

	December 31,								
	2019			2018			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
	(Dollars in thousands)								
West	3,763	\$ 1,771,061	\$ 470.7	3,244	\$ 1,567,141	\$ 483.1	16 %	13 %	(3)%
Mountain	2,242	1,131,568	504.7	2,118	1,080,475	510.1	6 %	5 %	(1)%
East	969	302,619	312.3	835	334,195	400.2	16 %	(9)%	(22)%
Total	6,974	\$ 3,205,248	\$ 459.6	6,197	\$ 2,981,811	\$ 481.2	13 %	7 %	(4)%

#### West Segment Commentary

For the year ended December 31, 2020, the increase in new home deliveries was the result of a 33% year-over-year increase in the number of homes in backlog to begin the year. This increase was partially offset by a decrease in backlog conversion rates in most markets due to construction delays as a result of (1) certain state and local governments not identifying residential construction as an essential business at the outset of the pandemic, which impacted our ability to physically construct homes for a short period of time and (2) more general construction related delays from the pandemic coupled with an increase in the number of homes under construction.

#### Mountain Segment Commentary

For the year ended December 31, 2020, the increase in new home deliveries was the result of a 16% year-over-year increase in the number of homes in backlog to begin the year.

#### East Segment Commentary

For the year ended December 31, 2020, the increase in new home deliveries was the result of a 53% year-over-year increase in the number of homes in backlog to begin the year. This increase was partially offset by a decrease in backlog conversion rates in most of our markets within this segment due to (1) a lower percentage of homes in backlog to start the period that were under construction at that time and (2) an increase in cancellation rates during the first half of the year, most notably in our Florida markets, resulting from the pandemic. The decrease in the average selling price of homes delivered in our East segment was the result of a greater percentage of closings from our more affordable product offerings.

### *Gross Margin*

Our gross margin from home sales for the year ended December 31, 2020 increased 200 basis points year-over-year from 18.8% to 20.8%. Gross margin from home sales increased across each of our segments on both build-to-order and speculative home deliveries driven by price increases implemented across nearly all of our communities over the past twelve months.

### Inventory Impairments

Inventory impairments recognized by segment for the years ended December 31, 2020, 2019 and 2018 are shown in the table below.

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Housing Completed or Under Construction:			
West	\$ —	\$ 100	\$ 2,860
Mountain	—	—	417
East	—	435	1,227
Subtotal	—	535	4,504
Land and Land Under Development:			
West	—	—	16,198
Mountain	—	400	958
East	—	—	190
Subtotal	—	400	17,346
Total Inventory Impairments	\$ —	\$ 935	\$ 21,850

The table below provides quantitative data, for the periods presented, where applicable, used in determining the fair value of the impaired inventory.

Three Months Ended	Impairment Data			Quantitative Data		
	Number of Subdivisions Impaired	Inventory Impairments	Fair Value of Inventory After Impairments	Discount Rate		
(Dollars in thousands)						
March 31, 2019	2	\$ 610	\$ 10,476	N/A		
December 31, 2019	2	325	3,948	N/A		
Total		<u>\$ 935</u>				
March 31, 2018	2	\$ 550	\$ 5,223	12%		
June 30, 2018	1	200	767	12%		
September 30, 2018	2	11,098	29,874	12%	—	18%
December 31, 2018	10	<u>10,002</u>	32,248	12%	—	18%
Total		<u>\$ 21,850</u>				

# Selling, General and Administrative Expenses

	December 31,				
	2020	Change	2019	Change	2018
	(Dollars in thousands)				
General and administrative expenses	\$184,720	\$9,693	\$175,027	\$13,348	\$161,679
<i>General and administrative expenses as a percentage of home sale revenues</i>	4.9%	(60) bps	5.5%	10 bps	5.4%
Marketing expenses	\$95,103	\$13,488	\$81,615	\$11,493	\$70,122
<i>Marketing expenses as a percentage of home sale revenues</i>	2.5%	0 bps	2.5%	10 bps	2.4%
Commissions expenses	\$123,395	\$17,247	\$106,148	\$8,148	\$98,000
<i>Commissions expenses as a percentage of home sale revenues</i>	3.3%	0 bps	3.3%	0 bps	3.3%
Total selling, general and administrative expenses	\$403,218	\$40,428	\$362,790	\$32,989	\$329,801
<i>Total selling, general and administrative expenses as a percentage of home sale revenues (SG&amp;A Rate)</i>	10.7%	(60) bps	11.3%	20 bps	11.1%

For the year ended December 31, 2020, the increase in our general and administrative expenses was primarily due to an increase in salaries and other compensation-related expenses due to a higher average headcount and strong operating results.

For the year ended December 31, 2020, marketing expenses increased as a result of increased deferred selling amortization and master marketing fees resulting from increased closings as well as increased compensation expense due to a higher average headcount.

For the year ended December 31, 2020, commissions expenses increased as a result of the increase in homes sale revenues year-over-year.



## Other Homebuilding Operating Data

### Net New Orders and Active Subdivisions:

Changes in the dollar value of net new orders are impacted by changes in the number of net new orders and the average selling price of those homes. Commentary for each of our segments on significant changes in these two metrics is provided below

December 31,												
2020				2019				% Change				
Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	
(Dollars in thousands)												
West	6,099	\$ 3,078,584	\$ 504.8	5.29	4,263	\$ 1,963,489	\$ 460.6	3.91	43 %	57 %	10 %	35 %
Mountain	3,337	1,818,833	545.1	4.46	2,410	1,189,193	493.4	3.04	38 %	53 %	10 %	47 %
East	1,576	562,419	356.9	4.27	1,166	342,469	293.7	3.68	35 %	64 %	22 %	16 %
Total	11,012	\$ 5,459,836	\$ 495.8	4.85	7,839	\$ 3,495,151	\$ 445.9	3.56	40 %	56 %	11 %	36 %

December 31,												
2019				2018				% Change				
Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	
(Dollars in thousands)												
West	4,263	\$ 1,963,489	\$ 460.6	3.91	3,316	\$ 1,535,438	\$ 463.0	3.71	29 %	28 %	(1)%	5 %
Mountain	2,410	1,189,193	493.4	3.04	1,908	972,826	509.9	2.63	26 %	22 %	(3)%	15 %
East	1,166	342,469	293.7	3.68	750	262,518	350.0	2.78	55 %	30 %	(16)%	32 %
Total	7,839	\$ 3,495,151	\$ 445.9	3.56	5,974	\$ 2,770,782	\$ 463.8	3.16	31 %	26 %	(4)%	13 %

\*Calculated as total net new orders in period ÷ average active communities during period ÷ number of months in period

Active Subdivisions				Average Active Subdivisions			
December 31,				Year Ended December 31,			
2020	2019	% Change		2020	2019	% Change	
West	103	89	16 %	96	90	7 %	
Mountain	60	65	(8)%	62	66	(6)%	
East	31	31	— %	31	27	15 %	
Total	194	185	5 %	189	183	3 %	

### West Segment Commentary

For the year ended December 31, 2020, the increase in net new orders was primarily due to an increase in the monthly sales absorption rates in all of our markets in the West segment. An increase in active subdivisions within our California markets also contributed to the increase in net new orders. The increase in average selling price was due to price increases implemented over the past twelve months within nearly all of our communities as well as a shift in mix of homes sold to more expensive Southern California markets. These increases were slightly offset by a shift in mix to lower priced communities, consistent with our ongoing strategy of offering more affordable home plans.

### Mountain Segment Commentary

For the year ended December 31, 2020, the increase in net new orders was due to an increase in the monthly sales absorption rates in each of our Colorado and Utah markets. The increase in average selling price was due to price increases implemented over the last twelve months within nearly all of our communities.

### East Segment Commentary

For the year ended December 31, 2020, the increase in net new orders was driven by increases in the monthly sales absorption rate and the number of average active subdivisions. The increase in the average selling price of net new orders is due to price increases implemented over the last twelve months within nearly all of our communities. Additionally, we experienced a shift in mix to our mid-Atlantic market resulting from an increase in net new orders that was driven by increases in both monthly sales absorption rates and average active subdivisions.

#### Cancellation Rate:

Cancellations As a Percentage of Gross Sales						
December 31,						
	2020	Change	2019	Change	2018	
West	17 %	(1)%	18 %	(2)%	20 %	
Mountain	22 %	(2)%	24 %	(3)%	27 %	
East	24 %	— %	24 %	(8)%	32 %	
Total	19 %	(2)%	21 %	(3)%	24 %	

Our cancellations as a percentage of gross sales (“cancellation rate”) decreased from 21% for the year ended December 31, 2019 to 19% for the year ended December 31, 2020. While our full year cancellation rate decreased, we did experience higher cancellation rates during the first and second quarter of 2020 as a result of general economic uncertainty surrounding the pandemic.

Consistent with our quarterly homebuilding operating data provided, we have also included below the cancellations as a percentage of homes in beginning backlog for each quarter during the years ended December 31, 2020 and 2019.

	Cancellations As a Percentage of Homes in Beginning Backlog							
	2020				2019			
	Three Months Ended							
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
West	7 %	11 %	14 %	15 %	11 %	12 %	13 %	14 %
Mountain	9 %	12 %	20 %	22 %	14 %	16 %	13 %	14 %
East	10 %	18 %	22 %	23 %	17 %	22 %	18 %	11 %
Total	8 %	12 %	17 %	18 %	13 %	15 %	14 %	14 %

#### Backlog:

December 31,									
2020			2019			% Change			
Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	
(Dollars in thousands)									
West	3,710	\$ 1,831,205	\$ 493.6	2,023	\$ 960,057	\$ 474.6	83 %	91 %	4 %
Mountain	2,018	1,090,557	540.4	1,211	624,672	515.8	67 %	75 %	5 %
East	927	341,439	368.3	567	160,618	283.3	63 %	113 %	30 %
Total	6,655	\$ 3,263,201	\$ 490.3	3,801	\$ 1,745,347	\$ 459.2	75 %	87 %	7 %

At December 31, 2020, we had 6,655 homes in backlog with a total value of \$3.26 billion, representing respective increases of 75% and 87% from December 31, 2019. The increase in the number of homes in backlog is primarily a result of the year-over-year increase in net new orders in the second half of 2020. The increase in the average selling price of homes in backlog is due to price increases implemented over the past twelve months in nearly all of our communities as well as a shift in our net new order mix in our East segment as discussed above. These increases were slightly offset by a shift in mix to lower priced communities, consistent with our ongoing strategy of offering more affordable home plans. Our ability to convert backlog into closings could be negatively impacted in future periods by the pandemic, the extent to which is highly uncertain and depends on future developments.

### Homes Completed or Under Construction:

	December 31,		% Change
	2020	2019	
Unsold:			
Completed	48	122	(61)%
Under construction	131	255	(49)%
Total unsold started homes	179	377	(53)%
Sold homes under construction or completed	4,797	2,779	73 %
Model homes under construction or completed	498	473	5 %
Total homes completed or under construction	5,474	3,629	51 %

The increase in sold homes under construction or completed is due to the year-over-year increase in the number of homes in backlog noted above. Total unsold started homes have decreased year-over-year due to the strong demand for new homes.

### Lots Owned and Optioned (including homes completed or under construction):

	December 31, 2020			December 31, 2019			Total % Change
	Lots Owned	Lots Optioned	Total	Lots Owned	Lots Optioned	Total	
West	12,335	3,460	15,795	9,538	2,805	12,343	28 %
Mountain	6,279	2,591	8,870	6,654	3,879	10,533	(16)%
East	2,868	1,936	4,804	2,313	2,197	4,510	7 %
Total	21,482	7,987	29,469	18,505	8,881	27,386	8 %

Our total owned and optioned lots at December 31, 2020 were 29,469, up 8% from December 31, 2019, due to our land acquisition approval activity over the past year across nearly all of our markets. We believe that our total lot supply can support growth in future periods. See **"Forward-Looking Statements"** above.

### Financial Services

	Year Ended December 31,						
	2020	Change		2019	Change		2018
		Amount	%		Amount	%	
	(Dollars in thousands)						
<b>Financial services revenues</b>							
Mortgage operations	\$ 101,675	\$ 46,453	84 %	\$ 55,222	\$ 1,746	3 %	\$ 53,476
Other	34,157	1,374	4 %	32,783	2,854	10 %	29,929
Total financial services revenues	<u>\$ 135,832</u>	<u>\$ 47,827</u>	54 %	<u>\$ 88,005</u>	<u>\$ 4,600</u>	6 %	<u>\$ 83,405</u>
<b>Financial services pretax income</b>							
Mortgage operations	\$ 71,017	\$ 41,705	142 %	\$ 29,312	\$ (2,608)	(8)%	\$ 31,920
Other	7,978	(22,937)	(74)%	30,915	16,475	114 %	14,440
Total financial services pretax income	<u>\$ 78,995</u>	<u>\$ 18,768</u>	31 %	<u>\$ 60,227</u>	<u>\$ 13,867</u>	30 %	<u>\$ 46,360</u>

For the year ended December 31, 2020, our financial services pretax income increased \$18.8 million or 31% from the same period in the prior year. The increase was due to our mortgage operations, which saw an increase in pretax income of \$42 million due to (1) a higher interest rate lock volume driven by the year-over-year increase in homes in backlog, (2) an increased Capture Rate and (3) an increased profit margin on loans originated during the year due to diminished competition driven by the refinance volume experienced by the mortgage industry during the year. This increase was partially offset by a decrease in our other financial services segment, which had \$8.3 million of net losses on equity securities during the period as compared to \$11.8 million of net gains for the same period in the prior year.

The table below sets forth information for our mortgage operations relating to mortgage loans originated and capture rate.

	Year Ended December 31,				
	2020	% or Percentage Change	2019	% or Percentage Change	2018
(Dollars in thousands)					
<b>Total Originations:</b>					
Loans	5,688	30 %	4,361	15 %	3,783
Principal	\$ 2,140,229	35 %	\$ 1,585,487	15 %	\$ 1,380,164
<b>Capture Rate Data:</b>					
Capture rate as % of all homes delivered	69 %	7 %	62 %	1 %	61 %
Capture rate as % of all homes delivered (excludes cash sales)	72 %	5 %	67 %	1 %	66 %
<b>Mortgage Loan Origination Product Mix:</b>					
FHA loans	22 %	3 %	19 %	4 %	15 %
Other government loans (VA & USDA)	21 %	1 %	20 %	1 %	19 %
Total government loans	43 %	4 %	39 %	5 %	34 %
Conventional loans	57 %	(4)%	61 %	(5)%	66 %
	100 %	— %	100 %	— %	100 %
<b>Loan Type:</b>					
Fixed rate	100 %	2 %	98 %	1 %	97 %
ARM	— %	(2)%	2 %	(1)%	3 %
<b>Credit Quality:</b>					
Average FICO Score	735	— %	738	— %	741
<b>Other Data:</b>					
Average Combined LTV ratio	85 %	2 %	83 %	2 %	81 %
Full documentation loans	100 %	— %	100 %	— %	100 %
<b>Loans Sold to Third Parties:</b>					
Loans	3,958	(6)%	4,217	13 %	3,738
Principal	\$ 2,104,624	37 %	\$ 1,532,214	12 %	\$ 1,364,246

## Income Taxes

We recorded an income tax provision of \$89.9 million, \$66.7 million and \$53.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, and our resulting effective income tax rates were 19.7%, 21.9% and 20.1%, respectively. Our tax provision and effective tax rate is driven by (i) pre-tax book income for the full year, adjusted for items that are deductible/non-deductible for tax purposes only (i.e., permanent items); (ii) benefits from federal energy credits; (iii) taxable income generated in state jurisdictions that varies from consolidated income and (iv) stock based compensation windfalls recorded as discrete items. The difference between our effective tax rate for the year ended December 31, 2020 and the federal statutory rate was primarily due to 5.1% in benefits for federal energy credits and 1.7% in benefits for stock based compensation windfalls, partially offset by 3.8% in state taxes and 1.8% for limitations on deductible executive compensation.

## LIQUIDITY AND CAPITAL RESOURCES

We use our liquidity and capital resources to (1) support our operations, including the purchase of land, land development and construction of homes; (2) provide working capital; and (3) provide mortgage loans for our homebuyers. Our liquidity includes our cash and cash equivalents, marketable securities, Revolving Credit Facility (as defined below) and Mortgage Repurchase Facility (as defined below). Additionally, we have an existing effective shelf registration statement that allows us to issue equity, debt or hybrid securities up to \$2.0 billion. Following the issuance of \$350 million of 2.500% senior notes on January 11, 2021 (see Note 24, *Subsequent Events*, in the notes to the financial statements for further discussion), \$1.35 billion remains on our effective shelf registration statement.

### Capital Resources

Our capital structure is primarily a combination of (1) permanent financing, represented by stockholders' equity; (2) long-term financing, represented by our 5.500% senior notes due 2024, 3.850% senior notes due 2030 and our 6.000% senior notes due 2043; (3) our Revolving Credit Facility and (4) our Mortgage Repurchase Facility. On January 11, 2021, we completed an offering of \$350 million of 2.500% senior notes due January 2031 (see Note 24, *Subsequent Events*, in the notes to the financial statements for further discussion). Because of our current balance of cash, cash equivalents, ability to access the capital markets, and available capacity under both our Revolving Credit Facility and Mortgage Repurchase Facility, we believe that our capital resources are adequate to satisfy our short and long-term capital requirements, including meeting future payments on our senior notes as they become due. See “**Forward-Looking Statements**” above.

We may from time to time seek to retire or purchase our outstanding senior notes through cash purchases, whether through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### Senior Notes, Revolving Credit Facility and Mortgage Repurchase Facility

*Senior Notes.* Our senior notes are not secured and, while the senior note indentures contain some restrictions on secured debt and other transactions, they do not contain financial covenants. Our senior notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of our homebuilding segment subsidiaries. We believe that we are in compliance with the representations, warranties and covenants in the senior note indentures.

*Revolving Credit Facility.* We have an unsecured revolving credit agreement (“Revolving Credit Facility”) with a group of lenders, which may be used for general corporate purposes. This agreement was amended on December 28, 2020 to (1) increase the aggregate commitment from \$1.0 billion to \$1.2 billion (the “Commitment”), (2) extend the Revolving Credit Facility maturity of \$1.125 billion of the Commitments to December 18, 2025 with the remaining Commitment continuing to terminate on December 18, 2023 and (3) provide that the aggregate amount of the commitments may increase to an amount not to exceed \$1.7 billion upon our request, subject to receipt of additional commitments from existing or additional lenders and, in the case of additional lenders, the consent of the co-administrative agents. As defined in the Revolving Credit Facility, interest rates on base rate borrowings are equal to the highest of (1) 0.0%, (2) a prime rate, (3) a federal funds effective rate plus 1.50%, and (4) a specified eurocurrency rate plus 1.00% and, in each case, plus a margin that is determined based on our credit ratings and leverage ratio. Interest rates on eurocurrency borrowings are equal to a specified eurocurrency rate plus a margin that is determined based on our credit ratings and leverage ratio. At any time at which our leverage ratio, as of the last day of the most recent calendar quarter, exceeds 55%, the aggregate principal amount of all consolidated senior debt borrowings outstanding may not exceed the borrowing base. There is no borrowing base requirement if our leverage ratio, as of the last day of the most recent calendar quarter, is 55% or less.

The Revolving Credit Facility is fully and unconditionally guaranteed, jointly and severally, by most of our homebuilding segment subsidiaries. The facility contains various representations, warranties and covenants that we believe are customary for agreements of this type. The financial covenants include a consolidated tangible net worth test and a leverage test, along with a consolidated tangible net worth covenant, all as defined in the Revolving Credit Facility. A failure to satisfy the foregoing tests does not constitute an event of default, but can trigger a “term-out” of the facility. A breach of the consolidated tangible net worth covenant (but not the consolidated tangible net worth test) or a violation of anti-corruption or sanctions laws would result in an event of default.

The Revolving Credit Facility is subject to acceleration upon certain specified events of default, including breach of the consolidated tangible net worth covenant, a violation of anti-corruption or sanctions laws, failure to make timely payments, breaches of certain representations or covenants, failure to pay other material indebtedness, or another person becoming beneficial owner of 50% or more of our outstanding common stock. We believe we were in compliance with the representations, warranties and covenants included in the Revolving Credit Facility as of December 31, 2020.

As of December 31, 2020, we had \$10.0 million in borrowings and \$25.1 million in letters of credit outstanding under the Revolving Credit Facility, leaving remaining borrowing capacity of \$1.16 billion.

*Mortgage Repurchase Facility.* HomeAmerican has a Master Repurchase Agreement (the “Mortgage Repurchase Facility”) with U.S. Bank National Association (“USBNA”). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of up to an aggregate of \$75 million (subject to increase by up to \$75 million under certain conditions) of eligible mortgage loans to USBNA with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, the documents relating to such loans are held by USBNA, as custodian, pursuant to the Custody Agreement (“Custody Agreement”), dated as of November 12, 2008, by and between HomeAmerican and USBNA. In the event that an eligible mortgage loan becomes ineligible, as defined under the Mortgage Repurchase Facility, HomeAmerican may be required to repurchase the ineligible mortgage loan immediately. The Mortgage Repurchase Facility terminates on May 20, 2021. Effective September 24, 2020, the Mortgage Repurchase Facility was amended to adjust the commitments to purchase for specific time periods and increase the Adjusted Tangible Net Worth Ratio from 8.0 to 1.0 to 10.0 to 1.0. As part of the amendment, the commitments to purchase were increased to \$100 million for the periods September 24, 2020 through October 23, 2020 and March 25, 2021 through April 23, 2021 and \$200 million for the period December 22, 2020 through February 4, 2021.

The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$50 million on December 28, 2020 effective through January 27, 2021. The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$75 million on December 24, 2019 effective through January 22, 2020, which increased the maximum aggregate commitment from \$75 million to \$150 million. At December 31, 2020 and 2019, HomeAmerican had \$202.4 million and \$149.6 million, respectively, of mortgage loans that HomeAmerican was obligated to repurchase under the Mortgage Repurchase Facility. Mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility are accounted for as a debt financing arrangement and are reported as mortgage repurchase facility in the consolidated balance sheets. Advances under the Mortgage Repurchase Facility carry a price range that is based on a LIBOR rate or successor benchmark rate.

The Mortgage Repurchase Facility contains various representations, warranties and affirmative and negative covenants that we believe are customary for agreements of this type. The negative covenants include, among others, (i) a minimum Adjusted Tangible Net Worth requirement, (ii) a maximum Adjusted Tangible Net Worth ratio, (iii) a minimum adjusted net income requirement, and (iv) a minimum Liquidity requirement. The foregoing capitalized terms are defined in the Mortgage Repurchase Facility. We believe HomeAmerican was in compliance with the representations, warranties and covenants included in the Mortgage Repurchase Facility as of December 31, 2020.

## **Dividends**

In the years ended December 31, 2020 and 2019, we paid dividends of \$1.39 per share and \$1.18 per share, respectively. In addition to the cash dividends paid, the Company distributed a stock dividend of 8% during 2019.

## **MDC Common Stock Repurchase Program**

At December 31, 2020, we were authorized to repurchase up to 4,000,000 shares of our common stock. We did not repurchase any shares of our common stock under this repurchase program during the year ended December 31, 2020.

## Consolidated Cash Flow

Our operating cash flows are primarily impacted by: (1) land purchases and construction of homes; (2) closing homes and the associated timing of collecting receivables from home closings; (3) sales of mortgage loans originated by HomeAmerican; (4) payments on accounts payables and accrued liabilities; and (5) funding for payroll. When we close on the sale of a house, our homebuilding subsidiaries will generally receive the proceeds from the sale of the homes within a few days of the home being closed. Therefore, our home sales receivable balance can increase or decrease from period to period based upon the timing of our home closings. Additionally, the amount of mortgage loans held-for-sale can be impacted period to period based upon the number of mortgage loans that were originated by HomeAmerican that have not been sold to third party purchasers and by the timing of fundings by third party mortgage purchasers. Accordingly, mortgage loans held-for-sale may increase if HomeAmerican originates more homes towards the end of one reporting period when compared with the same period in the previous year. HomeAmerican will generally sell mortgage loans it originates between 5 to 35 days after origination.

### Operating Cash Flow Activities

For the year ended December 31, 2020, net cash used in operating activities was \$23.1 million compared with net cash provided by operating activities of \$57.8 million in the prior year. Cash used to increase housing completed or under construction was \$449.9 million for the year ended December 31, 2020 as our homes in inventory increased by 1,845 homes year-over-year. Cash used to increase housing completed or under construction was only \$83.5 million in the prior year as homes in inventory increased by 561 homes from December 31, 2018. During the year ended December 31, 2020, cash used to increase land and land under development was \$15.0 million compared to \$149.6 million in the prior year. The most significant source of cash provided by operating activities in all years was net income.

### Investing Flow Activities

For the year ended December 31, 2020, net cash provided by investing activities was \$21.7 million compared with net cash used in investing activities of \$28.8 million in the prior year. The primary driver of this increase in cash from investing activities relates to \$48.5 million in net cash provided by the sale of marketable securities during the year. Cash used to purchase property and equipment remained consistent year-over-year.

### Financing Cash Flow Activities

For the year ended December 31, 2020, net cash provided by financing activities was \$31.2 million compared with net cash used in financing activities of \$25.0 million in the prior year. The primary driver of this increase in cash provided by financing activities is due to \$48.1 million in net proceeds from the issuance of senior notes during the year. In addition, increases in advances on the mortgage repurchase facility driven by the increase in mortgage loans held-for-sale as of December 31, 2020 and net proceeds received in connection with the issuance of shares under stock-based compensation programs driven by a greater number of stock-options exercised during the year also contributed to the increase in cash provided by financing activities. Cash used to fund dividend payments increased year-over year as a result of the 10% increase in the cash dividend declared in January 2020 and the 21% increase in the cash dividend declared in October 2020.

### Off-Balance Sheet Arrangements

*Lot Option Purchase Contracts.* In the ordinary course of business, we enter into lot option purchase contracts in order to procure lots for the construction of homes. Lot option contracts enable us to control lot positions with a minimal capital investment, which substantially reduces the risks associated with land ownership and development. At December 31, 2020, we had deposits of \$30.0 million in the form of cash and \$7.9 million in the form of letters of credit that secured option contracts to purchase 7,987 lots for a total estimated purchase price of \$591.4 million.

*Surety Bonds and Letters of Credit.* At December 31, 2020, we had outstanding surety bonds and letters of credit totaling \$261.0 million and \$127.1 million, respectively, including \$102.0 million in letters of credit issued by HomeAmerican. The estimated cost to complete obligations related to these bonds and letters of credit were approximately \$117.4 million and \$85.6 million, respectively. We expect that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business and in accordance with the applicable contractual terms. To the extent that the obligations are performed, the related performance bonds and letters of credit should be released and we should not have any continuing obligations. However, in the event any such performance bonds or letters of credit are called, our indemnity obligations could require us to reimburse the issuer of the performance bond or letter of credit.

We have made no material guarantees with respect to third-party obligations.

## Contractual Obligations

The table below summarizes our known contractual obligations at December 31, 2020.

	Payments due by Period (in thousands)				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Senior notes	\$ 1,050,000	\$ —	\$ —	\$ 250,000	\$ 800,000
Interest on senior notes	\$ 832,850	55,300	110,600	89,975	576,975
Operating leases	\$ 35,783	6,773	13,307	10,987	4,716
Total <sup>(1)</sup>	\$ 1,918,633	\$ 62,073	\$ 123,907	\$ 350,962	\$ 1,381,691

- (1) The table above excludes \$202.4 million of mortgage loans that we are obligated to repurchase under our Mortgage Repurchase Facility since it is not long-term indebtedness. Additionally, there were outstanding performance bonds and letters of credit totaling approximately \$261.0 million and \$127.1 million, respectively, at December 31, 2020, which have been excluded from the table above due to the uncertainty as to whether any payments may be made.

## CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Management evaluates such estimates and judgments on an on-going basis and makes adjustments as deemed necessary. Actual results could differ from these estimates if conditions are significantly different in the future. See “**Forward-Looking Statements**” above.

Listed below are those estimates and policies that we believe are critical and require the use of complex judgment in their application. Our critical accounting estimates and policies are as follows and should be read in conjunction with the Notes to our Consolidated Financial Statements.

*Homebuilding Inventory Valuation.* Refer to Note 1, *Summary of Significant Accounting Policies*, in the notes to the financial statements for information on the composition of the inventory balances.

In accordance with Accounting Standards Codification (“ASC”) Topic 360, *Property, Plant, and Equipment* (“ASC 360”), homebuilding inventories, excluding those classified as held for sale, are carried at cost unless events and circumstances indicate that the carrying value of the underlying subdivision may not be recoverable. We evaluate inventories for impairment at each quarter end on a subdivision level basis as each such subdivision represents the lowest level of identifiable cash flows. In making this determination, we review, among other things, the following for each subdivision:

- actual and trending “Operating Margin” (which is defined as home sale revenues less home cost of sales and all incremental costs associated directly with the subdivision, including sales commissions and marketing costs);
- estimated future undiscounted cash flows and Operating Margin;
- forecasted Operating Margin for homes in backlog;
- actual and trending net home orders;
- homes available for sale;
- market information for each sub-market, including competition levels, home foreclosure levels, the size and style of homes currently being offered for sale and lot size; and
- known or probable events indicating that the carrying value may not be recoverable.



If events or circumstances indicate that the carrying value of our inventory may not be recoverable, assets are reviewed for impairment by comparing the undiscounted estimated future cash flows from an individual subdivision (including capitalized interest) to its carrying value. We generally determine the estimated fair value of each subdivision by determining the present value of the estimated future cash flows at discount rates, which are Level 3 inputs (see Note 7, *Fair Value Measurements*, in the notes to the financial statements for definitions of fair value inputs), that are commensurate with the risk of the subdivision under evaluation. The evaluation for the recoverability of the carrying value of the assets for each individual subdivision can be impacted significantly by our estimates of future home sale revenues, home construction costs, and development costs per home, all of which are Level 3 inputs. These estimates of undiscounted future cash flows are dependent on specific market or sub-market conditions for each subdivision. While we consider available information to determine what we believe to be our best estimates as of the end of a reporting period, these estimates are subject to change in future reporting periods as facts and circumstances change. Local market-specific conditions that may impact these estimates for a subdivision include:

- historical subdivision results, and actual and trending Operating Margin, base selling prices and home sales incentives;
- forecasted Operating Margin for homes in backlog;
- the intensity of competition within a market or sub-market, including publicly available home sales prices and home sales incentives offered by our competitors;
- increased levels of home foreclosures;
- the current sales pace for active subdivisions;
- subdivision specific attributes, such as location, availability and size of lots in the sub-market, desirability and uniqueness of subdivision location and the size and style of homes currently being offered;
- potential for alternative home styles to respond to local market conditions;
- changes by management in the sales strategy of a given subdivision; and
- current local market economic and demographic conditions and related trends and forecasts.

These and other local market-specific conditions that may be present are considered by personnel in our homebuilding divisions as they prepare or update the forecasted assumptions for each subdivision. Quantitative and qualitative factors other than home sales prices could significantly impact the potential for future impairments. The sales objectives can differ among subdivisions, even within a given sub-market. For example, facts and circumstances in a given subdivision may lead us to price our homes with the objective of yielding a higher sales absorption pace, while facts and circumstances in another subdivision may lead us to price our homes to minimize deterioration in our gross margins from home sales, even though this could result in a slower sales absorption pace. Furthermore, the key assumptions included in our estimated future undiscounted cash flows may be interrelated. For example, a decrease in estimated base sales price or an increase in home sales incentives may result in a corresponding increase in sales absorption pace. Additionally, a decrease in the average sales price of homes to be sold and closed in future reporting periods for one subdivision that has not been generating what management believes to be an adequate sales absorption pace may impact the estimated cash flow assumptions of a nearby subdivision. Changes in our key assumptions, including estimated construction and land development costs, absorption pace and selling strategies could materially impact future cash flow and fair value estimates. Due to the number of possible scenarios that would result from various changes in these factors, we do not believe it is possible to develop a sensitivity analysis with a level of precision that would be meaningful to an investor.

If the undiscounted future cash flows of a subdivision are less than its carrying value, the carrying value of the subdivision is written down to its then estimated fair value. We determine the estimated fair value of each subdivision either: (1) by determining the present value of the estimated future cash flows at discount rates that are commensurate with the risk of the subdivision under evaluation; or (2) assessing the market value of the land in its current condition by considering the estimated price a willing buyer would pay for the land (other than in a forced liquidation), and recent land purchase transactions that we believe are indicators of fair value. The estimated future cash flows are the same for both our recoverability and fair value assessments. Factors we consider when determining the discount rate to be used for each subdivision include, among others:

- the number of lots in a given subdivision;
- the amount of future land development costs to be incurred;
- risks associated with the home construction process, including the stage of completion for the entire subdivision and the number of owned lots under construction; and
- the estimated remaining lifespan of the subdivision.

We allocate the impairments recorded between housing completed or under construction and land and land under development for each impaired subdivision based upon the status of construction of a home on each lot (i.e., if the lot is in housing completed or under construction, the impairment for that lot is recorded against housing completed or under construction). The allocation of impairment is the same with respect to each lot in a given subdivision. Changes in management's estimates, particularly the timing and amount of the estimated future cash inflows and outflows and forecasted average selling prices of homes to be sold and closed can materially affect any impairment calculation. Because our forecasted cash flows are impacted significantly by changes in market conditions, it is reasonably possible that actual results could differ significantly from those estimates. Please see the "Inventory Impairments" section for a detailed discussion and analysis of our asset impairments.

If land is classified as held for sale, we measure it at the lower of the carrying value or fair value less estimated costs to sell. In determining fair value, we primarily rely upon the most recent negotiated price. If a negotiated price is not available, we will consider several factors including, but not limited to, current market conditions, recent comparable sales transactions and market analysis studies. If the fair value less estimated costs to sell is lower than the current carrying value, the land is impaired down to its estimated fair value less costs to sell.

*Warranty Accrual.* Our homes are sold with limited third-party warranties. We record expenses and warranty accruals for general and structural warranty claims, as well as accruals for known, unusual warranty-related expenditures. A warranty accrual is recorded for each home closed based upon historical payment experience in an amount estimated to be adequate to cover expected costs of materials and outside labor during warranty periods. The determination of the warranty accrual rate for closed homes and the evaluation of our warranty accrual balance at period end are based on an internally developed analysis that includes known facts and interpretations of circumstances, including, among other things, our trends in historical warranty payment levels and warranty payments for claims not considered to be normal and recurring. It is possible that changes in the warranty payment experience used in estimating our ultimate warranty losses could have a material impact on our warranty accrual balances.

*Insurance Reserves.* The establishment of reserves for estimated losses associated with insurance policies issued by Allegiant and re-insurance agreements issued by StarAmerican are based on actuarial studies that include known facts and interpretations of circumstances, including our experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, product mix or concentration, claim severity, frequency patterns depending on the business conducted, and changing regulatory and legal environments. It is possible that changes in the insurance payment experience used in estimating our ultimate insurance losses could have a material impact on our insurance reserves.

*Litigation Accruals.* In the normal course of business, we are a defendant in claims primarily relating to premises liability, product liability and personal injury claims. These claims seek relief from us under various theories, including breach of implied and express warranty, negligence, strict liability, misrepresentation and violation of consumer protection statutes. We have accrued for losses that may be incurred with respect to legal claims based upon information provided by our legal counsel, including counsel's on-going evaluation of the merits of the claims and defenses and the level of estimated insurance coverage. Due to uncertainties in the estimation process, actual results could vary from those accruals and could have a material impact on our results of operations.

*Revenue Recognition for Homebuilding Segments.* We recognize home sale revenues from home deliveries when we have satisfied the performance obligations within the sales agreement, which is generally when title to and possession of the home are transferred to the buyer at the home closing date. Revenue from a home delivery includes the base sales price and any purchased options and upgrades and is reduced for any sales price incentives.

We generally do not record the sale of a home or recognize the associated revenue if the following criteria are present: (1) HomeAmerican originates the mortgage loan and has not sold the mortgage loan, or loans, as of the end of the pertinent reporting period; and (2) the homebuyer does not meet certain collectability thresholds, based on the type of mortgage loan, related to their credit score, debt to income ratio and loan to value ratio. The deferral is subsequently recognized at the time HomeAmerican sells the respective loan to a third-party purchaser. In the event the gross margin is a loss, we recognize such loss at the time the home is closed.

In certain states where we build, we are not always able to complete certain outdoor features (such as landscaping or pools) prior to closing the home. To the extent these separate deliverables are not complete upon the closing of a home, we defer home sale revenues related to incomplete outdoor features, and recognize that revenue upon completion of the outdoor features.

*Revenue Recognition for HomeAmerican:* Revenues recorded by HomeAmerican primarily reflect (1) origination fees and (2) the corresponding sale, or expected future sale, of a loan, which will include the estimated earnings from either the release or retention of a loan's servicing rights. Origination fees are recognized when a loan is originated. When an interest rate lock commitment is made to a customer, we record the expected gain on sale of the mortgage, plus the estimated earnings from the expected sale of the associated servicing rights, adjusted for a pull-through percentage (which is defined as the likelihood that an interest rate lock commitment will be originated), as revenue. As the interest rate lock commitment gets closer to being originated, the expected gain on the sale of that loan plus its servicing rights is updated to reflect current market value and the increase or decrease in the fair value of that interest rate lock commitment is recorded through revenues. At the same time, the expected pull-through percentage of the interest rate lock commitment to be originated is updated (typically an increase as the interest lock commitment gets closer to origination) and, if there has been a change, revenues are adjusted as necessary. After origination, our mortgage loans, generally including their servicing rights, are sold to third-party purchasers in accordance with sale agreements entered into by us with a third-party purchaser of the loans. We make representations and warranties with respect to the status of loans transferred in the sale agreements. The sale agreements generally include statements acknowledging the transfer of the loans is intended by both parties to constitute a sale. Sale of a mortgage loan has occurred when the following criteria, among others, have been met: (1) fair consideration has been paid for transfer of the loan by a third party in an arms-length transaction, (2) all the usual risks and rewards of ownership that are in substance a sale have been transferred by us to the third party purchaser; and (3) we do not have a substantial continuing involvement with the mortgage loan.

We carry interest rate lock commitments and mortgage loans held-for-sale at fair value.

*Home Cost of Sales.* Refer to the Note 1, *Summary of Significant Accounting Policies*, in the notes to the financial statements for information on the composition of home cost of sales. When a home is closed, we generally have not yet paid or incurred all costs necessary to complete the construction of the home and certain land development costs. At the time of a home closing, we compare the home construction budgets to actual recorded costs to determine the additional estimated costs remaining to be paid on each closed home. For amounts not incurred or paid as of the time of closing a home, we record an estimated accrual associated with certain home construction and land development costs. Generally, these accruals are established based upon contracted work which has yet to be paid, open work orders not paid at the time of home closing, as well as land completion costs more likely than not to be incurred, and represent estimates believed to be adequate to cover the expected remaining home construction and land development costs. We monitor the adequacy of these accruals on a house-by-house basis and in the aggregate on both a market-by-market and consolidated basis.

*Stock-Based Compensation.* ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718") requires that share-based compensation expense be measured and recognized at an amount equal to the fair value of share-based payments granted under compensation arrangements. Determining the appropriate fair value model and calculating the fair value of stock option awards requires judgment, including estimating stock price volatility, annual forfeiture rates and the expected life of an award. For stock option awards granted with just service and/or performance conditions, we estimate the fair value using a Black-Scholes option pricing model. For any stock option awards granted that contain a market condition, we estimate the fair value using a Monte Carlo simulation model. Both the Black-Scholes option pricing model and Monte Carlo simulation utilize the following inputs to calculate the estimated fair value of stock options: (1) closing price of our common stock on the measurement date (generally the date of grant); (2) exercise price; (3) expected stock option life; (4) expected volatility; (5) risk-free interest rate; and (6) expected dividend yield rate. The expected life of employee stock options represents the period for which the stock options are expected to remain outstanding and is derived primarily from historical exercise patterns. The expected volatility is determined based on our review of the implied volatility that is derived from the price of exchange traded options of the Company. The risk-free interest rate assumption is determined based upon observed interest rates appropriate for the expected term of our employee stock options. The expected dividend yield assumption is based on our historical dividend payouts. We determine the estimated fair value of the stock option awards on the date they were granted. The fair values of previously granted stock option awards are not adjusted as subsequent changes in the foregoing assumptions occur; for example, an increase or decrease in the price of our common stock. However, changes in the foregoing inputs, particularly the price of our common stock, expected stock option life and expected volatility, significantly change the estimated fair value of future grants of stock options.

An annual forfeiture rate is estimated at the time of grant, and revised if necessary, in subsequent periods if the actual forfeiture rate differs from our estimate.

## RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2 in our consolidated financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We have a cash and investment policy that enables us to achieve our strategy with an appropriate investment return while preserving principal and managing risk. Under this policy, our cash and cash equivalents may include U.S. government securities, commercial bank deposits, commercial paper, certificates of deposit, money market funds, and time deposits, with maturities of three months or less. Our marketable securities under this policy may include holdings in corporate U.S. government securities with a maturity of more than three months, equity securities and corporate debt securities.

The market value and/or income derived from equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets, or the issuer itself. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of equity securities may also decline for a number of other reasons that directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. Equity securities generally have greater price volatility than bonds and other debt securities.

As of December 31, 2020, our cash and cash equivalents included commercial bank deposits and money market funds, with maturities of three months or less.

We are exposed to market risks related to fluctuations in interest rates on mortgage loans held-for-sale, mortgage interest rate lock commitments and debt. Derivative instruments utilized in the normal course of business by HomeAmerican include interest rate lock commitments and forward sales of mortgage-backed securities, which are used to manage the price risk on fluctuations in interest rates on our mortgage loans in inventory and interest rate lock commitments to originate mortgage loans. Such contracts are the only significant financial derivative instruments utilized by MDC. HomeAmerican's mortgage loans in process for which a rate and price commitment had been made to a borrower that had not closed at December 31, 2020 had an aggregate principal balance of \$230.5 million, all of which were under interest rate lock commitments at an average interest rate of 2.69%. In addition, HomeAmerican had mortgage loans held-for-sale with an aggregate principal balance of \$222.3 million at December 31, 2020, of which \$91.1 million had not yet been committed to a mortgage purchaser and had an average interest rate of 2.74%. In order to hedge the changes in fair value of interest rate lock commitments and mortgage loans held-for-sale which had not yet been committed to a mortgage purchaser, HomeAmerican had forward sales of securities totaling \$203.0 million and \$108.5 million at December 31, 2020 and 2019, respectively.

HomeAmerican provides mortgage loans that generally are sold forward and subsequently delivered to a third-party purchaser between 5 and 35 days. Forward commitments are used for non-trading purposes to sell mortgage loans and hedge price risk due to fluctuations in interest rates on rate-locked mortgage loans in process that have not closed. Due to this economic hedging philosophy, the market risk associated with these mortgages is limited. For forward sales commitments, as well as commitments to originate mortgage loans that are still outstanding at the end of a reporting period, we record the fair value of the derivatives in the consolidated statements of operations and comprehensive income with an offset to either derivative assets or liabilities, depending on the nature of the change.

We utilize our Revolving Credit Facility, our Mortgage Repurchase Facility and senior notes in our financing strategy. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but do not affect our earnings or cash flows. We do not have an obligation to prepay our senior notes prior to maturity and, as a result, interest rate risk and changes in fair value do not have an impact on our financial position, results of operations or cash flows. For variable rate debt such as our Revolving Credit Facility and Mortgage Repurchase Facility, changes in interest rates generally do not affect the fair value of the outstanding borrowing on the debt facilities, but does affect our earnings and cash flows. See “**Forward-Looking Statements**” above.

At December 31, 2020, we had \$202.4 million of mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility. Mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility are accounted for as a debt financing arrangement and are reported under Mortgage Repurchase Facility in the consolidated balance sheets. The following table provides the maturities, average interest rate and estimated fair value of significant financial instruments that are sensitive to changes in interest rates at December 31, 2020.

	Maturities through December 31,												Estimated Fair Value			
	2021	2022	2023	2024	2025	Thereafter	Total									
	(Dollars in thousands)															
<b>Assets:</b>																
Mortgage loans held for sale <sup>(1)</sup>																
Fixed Rate	\$	222,280	\$	—	\$	—	\$	—	\$	—	\$	222,280	\$	232,556		
Average interest rate		2.74 %										2.74 %				
<b>Liabilities:</b>																
Fixed rate debt	\$	—	\$	—	\$	—	\$	250,000	\$	—	\$	800,000	\$	1,050,000	\$	1,274,135
Average interest rate								5.50 %				5.19 %		5.27 %		
Mortgage facility	\$	202,390	\$	—	\$	—	\$	—	\$	—	\$	—	\$	202,390	\$	202,390
Average interest rate		2.04 %												2.04 %		
<b>Derivative Financial Instruments:</b>																
Commitments to originate mortgage loans																
Notional amount	\$	230,455	\$	—	\$	—	\$	—	\$	—	\$	—	\$	230,455	\$	8,710
Average interest rate		2.69 %												2.69 %		
Forward sales of mortgage backed securities																
Notional amount	\$	203,000	\$	—	\$	—	\$	—	\$	—	\$	—	\$	203,000	\$	(1,348)
Average interest rate		2.10 %												2.10 %		

(1) All the amounts in this line reflect the expected 2021 disposition of these loans rather than the actual scheduled maturity dates of these mortgages.

**Item 8. Consolidated Financial Statements.**

**M.D.C. HOLDINGS, INC.  
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## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of  
M.D.C. Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of M.D.C. Holdings, Inc. (the Company) as of December 31, 2020 and 2019, the consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 2, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

<i>Description of the Matter</i>	<i>Evaluation of Insurance Reserves</i>  At December 31, 2020, the insurance reserves totaled \$61.6 million for the estimated incurred cost of construction defect claims. As more fully described in Note 1 to the consolidated financial statements, the Company establishes the reserves for estimated losses based on actuarial studies that include known facts and interpretations of circumstances.  Auditing the Company's estimate of the reserves is especially challenging because the estimate is based on actuarial projections of future claims derived from historical claims data. There is significant uncertainty in the actuarial projections as the potential claim payments will be made over a long period of time, they assume that historical claims are a reasonable proxy of future claims, and the claim amounts can be significantly impacted by changes in product mix, quality of construction, units sold, and geographic location of sold units.
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*How We Addressed the  
Matter in Our Audit*

We tested the Company's internal controls over the estimation of the reserves. For example, we tested controls over the appropriateness of management's review of the actuary's analysis, including the underlying data used by the actuary and the consideration by management over whether historical claim information requires adjustment.

To test the estimate of reserves, our audit procedures included, among others, utilizing an internal actuarial specialist to evaluate the actuarial study utilized by management and to perform independent calculations to determine a range of reasonable reserves and to compare this range to the recorded insurance reserves. Additionally, we tested the completeness and accuracy of the underlying claims data provided to management's actuarial specialist, evaluated the change in the reserves from the prior year based upon current year trends in claim data, and performed hindsight reviews of past estimates compared to actual claim payments.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2000.

Denver, Colorado

February 2, 2021



**M.D.C. HOLDINGS, INC.**  
**Consolidated Balance Sheets**

	December 31, 2020	December 31, 2019
	(Dollars in thousands, except per share amounts)	
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 411,362	\$ 424,186
Restricted cash	15,343	14,279
Trade and other receivables	72,466	65,829
Inventories:		
Housing completed or under construction	1,486,587	1,036,191
Land and land under development	1,345,643	1,330,384
Total inventories	2,832,230	2,366,575
Property and equipment, net	61,880	60,414
Deferred tax assets, net	11,454	21,768
Prepays and other assets	101,685	78,358
Total homebuilding assets	3,506,420	3,031,409
Financial Services:		
Cash and cash equivalents	77,267	35,747
Marketable securities	—	56,747
Mortgage loans held-for-sale, net	232,556	197,021
Other assets	48,677	17,432
Total financial services assets	358,500	306,947
Total Assets	\$ 3,864,920	\$ 3,338,356
LIABILITIES AND EQUITY		
Homebuilding:		
Accounts payable	\$ 98,862	\$ 87,364
Accrued and other liabilities	300,735	245,940
Revolving credit facility	10,000	15,000
Senior notes, net	1,037,391	989,422
Total homebuilding liabilities	1,446,988	1,337,726
Financial Services:		
Accounts payable and accrued liabilities	95,630	68,529
Mortgage repurchase facility	202,390	149,616
Total financial services liabilities	298,020	218,145
Total Liabilities	1,745,008	1,555,871
Stockholders' Equity		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value; 250,000,000 shares authorized; 64,851,126 and 62,574,961 issued and outstanding at December 31, 2020 and December 31, 2019, respectively	649	626
Additional paid-in-capital	1,407,597	1,348,733
Retained earnings	711,666	433,126
Total Stockholders' Equity	2,119,912	1,782,485
Total Liabilities and Stockholders' Equity	\$ 3,864,920	\$ 3,338,356

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**M.D.C. HOLDINGS, INC.**  
**Consolidated Statements of Operations and Comprehensive Income**

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands, except per share amounts)		
<b>Homebuilding:</b>			
Home sale revenues	\$ 3,765,379	\$ 3,205,248	\$ 2,981,811
Home cost of sales	(2,982,668)	(2,600,196)	(2,415,139)
Inventory impairments	—	(935)	(21,850)
Total cost of sales	(2,982,668)	(2,601,131)	(2,436,989)
Gross margin	782,711	604,117	544,822
Selling, general and administrative expenses	(403,218)	(362,790)	(329,801)
Interest and other income	4,233	9,070	7,718
Other expense	(5,209)	(5,635)	(5,245)
Homebuilding pretax income	378,517	244,762	217,494
<b>Financial Services:</b>			
Revenues	135,832	88,005	83,405
Expenses	(52,465)	(45,001)	(38,200)
Other income (expense), net	(4,372)	17,223	1,155
Financial services pretax income	78,995	60,227	46,360
Income before income taxes	457,512	304,989	263,854
Provision for income taxes	(89,930)	(66,677)	(53,074)
Net income	\$ 367,582	\$ 238,312	\$ 210,780
Other comprehensive loss related to available-for-sale securities, net of tax	—	—	—
Comprehensive income	\$ 367,582	\$ 238,312	\$ 210,780
<b>Earnings per share:</b>			
Basic	\$ 5.76	\$ 3.84	\$ 3.46
Diluted	\$ 5.58	\$ 3.72	\$ 3.39
<b>Weighted average common shares outstanding</b>			
Basic	63,455,422	61,616,988	60,571,123
Diluted	65,441,279	63,702,666	61,830,761

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**M.D.C. HOLDINGS, INC.**  
**Consolidated Statements of Stockholders' Equity**  
(Dollars in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at December 31, 2017	56,123,228	\$ 561	\$ 1,144,570	\$ 258,164	\$ 3,992	\$ 1,407,287
Cumulative effect of newly adopted accounting standards (Note 2)	—	—	—	5,766	(3,992)	1,774
Balance at January 1, 2018	56,123,228	\$ 561	\$ 1,144,570	\$ 263,930	\$ —	\$ 1,409,061
Net Income	—	—	—	210,780	—	210,780
Shares issued under stock-based compensation programs, net	497,024	5	9,855	—	—	9,860
Cash dividends declared	—	—	—	(67,718)	—	(67,718)
Stock-based compensation expense	—	—	14,017	—	—	14,017
Forfeiture of restricted stock	(4,900)	—	—	—	—	—
Balance at December 31, 2018	56,615,352	\$ 566	\$ 1,168,442	\$ 406,992	\$ —	\$ 1,576,000
Cumulative effect of newly adopted accounting standards (Note 2)	—	—	—	(67)	—	(67)
Balance at January 1, 2019	56,615,352	\$ 566	\$ 1,168,442	\$ 406,925	\$ —	\$ 1,575,933
Net Income	—	—	—	238,312	—	238,312
Shares issued under stock-based compensation programs, net	1,429,993	15	15,326	—	—	15,341
Cash dividends declared	—	—	—	(73,020)	—	(73,020)
Stock dividend declared	4,534,908	45	138,949	(139,091)	—	(97)
Stock-based compensation expense	—	—	26,016	—	—	26,016
Forfeiture of restricted stock	(5,292)	—	—	—	—	—
Balance at December 31, 2019	62,574,961	\$ 626	\$ 1,348,733	\$ 433,126	\$ —	\$ 1,782,485
Cumulative effect of newly adopted accounting standards (Note 2)	—	—	—	(34)	—	(34)
Balance at January 1, 2020	62,574,961	\$ 626	\$ 1,348,733	\$ 433,092	\$ —	\$ 1,782,451
Net Income	—	—	—	367,582	—	367,582
Shares issued under stock-based compensation programs, net	2,278,020	23	28,802	—	—	28,825
Cash dividends declared	—	—	—	(89,008)	—	(89,008)
Stock-based compensation expense	—	—	30,062	—	—	30,062
Forfeiture of restricted stock	(1,855)	—	—	—	—	—
Balance at December 31, 2020	64,851,126	\$ 649	\$ 1,407,597	\$ 711,666	\$ —	\$ 2,119,912

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**M.D.C. HOLDINGS, INC.**  
**Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
<b>Operating Activities:</b>			
Net income	\$ 367,582	\$ 238,312	\$ 210,780
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Stock-based compensation expense	30,062	26,016	14,017
Depreciation and amortization	27,166	23,054	21,326
Inventory impairments	—	935	21,850
Net (gain) loss on marketable equity securities	8,285	(11,797)	3,745
Amortization of discount / premiums on marketable debt securities	—	—	(366)
Deferred income tax expense	10,688	13,670	3,729
Net changes in assets and liabilities:			
Trade and other receivables	(12,815)	(12,997)	(4,638)
Mortgage loans held-for-sale	(35,535)	(47,810)	(11,097)
Housing completed or under construction	(449,882)	(83,484)	(12,082)
Land and land under development	(15,032)	(149,577)	(304,250)
Prepays and other assets	(44,932)	(4,694)	(245)
Accounts payable and accrued liabilities	91,318	66,205	49,325
Net cash provided by (used in) operating activities	(23,095)	57,833	(7,906)
<b>Investing Activities:</b>			
Purchases of marketable securities	(10,804)	(11,708)	(18,850)
Maturities of marketable securities	—	—	50,000
Sales of marketable securities	59,266	7,637	16,230
Purchases of property and equipment	(26,777)	(24,714)	(27,166)
Net cash provided by (used in) investing activities	21,685	(28,785)	20,214
<b>Financing Activities:</b>			
Advances on mortgage repurchase facility, net	52,774	32,801	4,475
Payments on homebuilding line of credit, net	(5,000)	—	—
Payments of senior notes	(250,000)	—	—
Proceeds from issuance of senior notes	298,050	—	—
Dividend payments	(89,008)	(73,117)	(67,718)
Payments of deferred debt issuance costs	(4,471)	—	(3,026)
Issuance of shares under stock-based compensation programs, net	28,825	15,341	9,860
Net cash provided by (used in) financing activities	31,170	(24,975)	(56,409)
Net increase (decrease) in cash, cash equivalents and restricted cash	29,760	4,073	(44,101)
Cash, cash equivalents and restricted cash:			
Beginning of year	474,212	470,139	514,240
End of year	\$ 503,972	\$ 474,212	\$ 470,139
Reconciliation of cash, cash equivalents and restricted cash:			
Homebuilding:			
Cash and cash equivalents	\$ 411,362	\$ 424,186	\$ 414,724
Restricted cash	15,343	14,279	6,363
Financial Services:			
Cash and cash equivalents	77,267	35,747	49,052
Total cash, cash equivalents and restricted cash	\$ 503,972	\$ 474,212	\$ 470,139

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## 1. Summary of Significant Accounting Policies

*Principles of Consolidation.* The Consolidated Financial Statements of M.D.C. Holdings, Inc. ("MDC," "the Company," "we," "us," or "our" which refers to M.D.C. Holdings, Inc. and its subsidiaries) include the accounts of MDC and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain prior year balances have been reclassified to conform to the current year's presentation.

*Description of Business.* We have homebuilding operations in Arizona, California, Colorado, Florida, Maryland, Nevada, Oregon, Utah, Virginia and Washington. The primary functions of our homebuilding operations include land acquisition and development, home construction, purchasing, marketing, merchandising, sales and customer service. We build and sell primarily single-family detached homes, which are designed and built to meet local customer preferences. We are the general contractor for all of our projects and retain subcontractors for site development and home construction.

Our financial services operations consist of HomeAmerican Mortgage Corporation ("HomeAmerican"), which originates mortgage loans, primarily for our homebuyers, American Home Insurance Agency, Inc. ("American Home Insurance"), which offers third-party insurance products to our homebuyers, and American Home Title and Escrow Company ("American Home Title"), which provides title agency services to the Company and our homebuyers in Colorado, Florida, Maryland, Nevada and Virginia. The financial services operations also include Allegiant Insurance Company, Inc., A Risk Retention Group ("Allegiant"), which provides insurance coverage primarily to our homebuilding subsidiaries on homes that have been delivered and most of our subcontractors for completed work on those delivered homes, and StarAmerican Insurance Ltd. ("StarAmerican"), a wholly owned subsidiary of MDC, which is a re-insurer of Allegiant claims.

*Presentation.* Our balance sheet presentation is unclassified due to the fact that certain assets and liabilities have both short and long-term characteristics.

*Use of Accounting Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents.* The Company periodically invests funds in highly liquid investments with an original maturity of three months or less, such as U.S. government securities, commercial bank deposits, commercial paper, certificates of deposit, money market funds and time deposits, which are included in cash and cash equivalents in the consolidated balance sheets and consolidated statements of cash flows.

*Equity securities.* Our equity securities consist of holdings in common stock and exchange traded funds and are recorded at fair value with all changes in fair value recorded to other income / (expense), net in the financial services section of our consolidated statements of operations and comprehensive income. On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2016-01 using a modified retrospective transition method. Prior to this amendment, our equity investments with readily determinable fair values were classified as available for sale with changes in fair value initially recorded through other comprehensive income, subject to an assessment to determine if any unrealized loss, if applicable, was other-than-temporary. See Note 2 for further discussion of adoption of new accounting standards.

*Debt securities.* Our debt securities consist of U.S. government securities and are treated as available-for-sale investments and, as such, are recorded at fair value with all changes in fair value initially recorded through other comprehensive income, subject to an assessment to determine if any unrealized loss, if applicable, is other-than-temporary.

*Restricted Cash.* We receive cash earnest money deposits from our customers who enter into home sale contracts. In certain states we are restricted from using such deposits for general purposes, unless we take measures to release state imposed restrictions on such deposits received from homebuyers, which may include posting blanket surety bonds. We had \$15.3 million and \$14.3 million in restricted cash related to homebuyer deposits at December 31, 2020 and 2019, respectively.

*Trade and Other Receivables.* Trade and other receivables primarily includes home sale receivables, which reflects cash to be received from title companies or outside brokers associated with closed homes. Generally, we will receive cash from title companies and outside brokers within a few days of the home being closed. At December 31, 2020 and 2019, receivables from contracts with customers were \$49.2 million and \$46.6 million, respectively, and are included in trade and other receivables on the accompanying consolidated balance sheets.

*Mortgage Loans Held-for-Sale, net.* Mortgage loans held-for-sale are recorded at fair value based on quoted market prices and estimated market prices received from a third-party. Using fair value allows an offset of the changes in fair values of the mortgage loans and the derivative instruments used to hedge them without having to comply with the requirements for hedge accounting.

*Inventories.* Our inventories are primarily associated with communities where we intend to construct and sell homes, including models and unsold homes. Costs capitalized to land and land under development primarily include: (1) land costs; (2) land development costs; (3) entitlement costs; (4) capitalized interest; (5) engineering fees; and (6) title insurance, real property taxes and closing costs directly related to the purchase of the land parcel. Components of housing completed or under construction primarily include: (1) land costs transferred from land and land under development; (2) direct construction costs associated with a house; (3) real property taxes, engineering fees, permits and other fees; (4) capitalized interest; and (5) indirect construction costs, which include field construction management salaries and benefits, utilities and other construction related costs. Land costs are transferred from land and land under development to housing completed or under construction at the point in time that construction of a home on an owned lot begins.

In accordance with Accounting Standards Codification (“ASC”) Topic 360, *Property, Plant, and Equipment* (“ASC 360”), homebuilding inventories, excluding those classified as held for sale, are carried at cost unless events and circumstances indicate that the carrying value of the underlying subdivision may not be recoverable. We evaluate inventories for impairment at each quarter end on a subdivision level basis as each such subdivision represents the lowest level of identifiable cash flows. In making this determination, we review, among other things, the following for each subdivision:

- actual and trending “Operating Margin” (which is defined as home sale revenues less home cost of sales and all incremental costs associated directly with the subdivision, including sales commissions and marketing costs);
- estimated future undiscounted cash flows and Operating Margin;
- forecasted Operating Margin for homes in backlog;
- actual and trending net home orders;
- homes available for sale;
- market information for each sub-market, including competition levels, home foreclosure levels, the size and style of homes currently being offered for sale and lot size; and
- known or probable events indicating that the carrying value may not be recoverable.

If events or circumstances indicate that the carrying value of our inventory may not be recoverable, assets are reviewed for impairment by comparing the undiscounted estimated future cash flows from an individual subdivision (including capitalized interest) to its carrying value. If the undiscounted future cash flows are less than the subdivision’s carrying value, the carrying value of the subdivision is written down to its then estimated fair value. We generally determine the estimated fair value of each subdivision by determining the present value of the estimated future cash flows at discount rates, which are Level 3 inputs (see Note 7, *Fair Value Measurements*, in the notes to the financial statements for definitions of fair value inputs), that are commensurate with the risk of the subdivision under evaluation. The evaluation for the recoverability of the carrying value of the assets for each individual subdivision can be impacted significantly by our estimates of future home sale revenues, home construction costs, and development costs per home, all of which are Level 3 inputs.

If land is classified as held for sale, in accordance with ASC 360, we measure it at the lower of the carrying value or fair value less estimated costs to sell. In determining fair value, we primarily rely upon the most recent negotiated price which is a Level 2 input (see Note 7, *Fair Value Measurements*, for definitions of fair value inputs). If a negotiated price is not available, we will consider several factors including, but not limited to, current market conditions, recent comparable sales transactions and market analysis studies. If the fair value less estimated costs to sell is lower than the current carrying value, the land is impaired down to its estimated fair value less costs to sell.

*Costs Related to Sales Facilities.* Subsequent to the adoption of ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, on January 1, 2018, certain marketing costs related to model homes or on-site sales facilities are either recorded as inventory, capitalized as property and equipment, or expensed as incurred. See Note 2 for further discussion of adoption of new accounting standards. Costs related to interior and exterior upgrades to the home that will be sold as part of the home, such as wall treatments and additional upgraded landscaping, are recorded as housing completed or under construction. Costs to furnish and ready the model home or on-site sales facility that will not be sold as part of the model home, such as furniture, construction of the sales facility parking lot or construction of the sales center, are capitalized as property and equipment, net. Other costs incurred related to the marketing of the community and readying the model home for sale are expensed as incurred.

*Property and Equipment, net.* Property and equipment is carried at cost less accumulated depreciation. For property and equipment related to on-site sales facilities, depreciation is recorded using the units of production method as homes are delivered. For all other property and equipment, depreciation is recorded using a straight-line method over the estimated useful lives of the related assets, which range from 2 to 29 years. Depreciation and amortization expense for property and equipment was \$26.1 million, \$22.8 million and \$20.5 million for the years ended December 31, 2020, 2019 and 2018, respectively which is recorded in selling, general and administrative expenses in the homebuilding or financial services sections of our consolidated statements of operations and comprehensive income.

The following table sets forth the cost and carrying value of our homebuilding property and equipment by major asset category.

	Cost	Accumulated Depreciation and Amortization	Carrying Value
December 31, 2020:	(Dollars in thousands)		
Sales facilities	\$ 71,870	\$ (34,272)	\$ 37,598
Airplane	31,230	(10,813)	20,417
Computer software and equipment	23,801	(21,997)	1,804
Leasehold improvements	7,640	(6,357)	1,283
Other	2,361	(1,583)	778
Total	<u>\$ 136,902</u>	<u>\$ (75,022)</u>	<u>\$ 61,880</u>
December 31, 2019:			
Sales facilities	\$ 60,964	\$ (25,802)	\$ 35,162
Airplane	31,230	(10,145)	21,085
Computer software and equipment	22,660	(20,730)	1,930
Leasehold improvements	7,339	(5,817)	1,522
Other	2,056	(1,341)	715
Total	<u>\$ 124,249</u>	<u>\$ (63,835)</u>	<u>\$ 60,414</u>

*Deferred Tax Assets, net.* Deferred income taxes reflect the net tax effects of temporary differences between (1) the carrying amounts of the assets and liabilities for financial reporting purposes and (2) the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using current enacted tax rates in effect in the years in which those temporary differences are expected to reverse. A valuation allowance is recorded against a deferred tax asset if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized.

*Variable Interest Entities.* In accordance with ASC Topic 810, *Consolidation* (“ASC 810”), we analyze our land option contracts and other contractual arrangements to determine whether the corresponding land sellers are variable interest entities (“VIEs”) and, if so, whether we are the primary beneficiary. Although we do not have legal title to the optioned land, ASC 810 requires a company to consolidate a VIE if the company is determined to be the primary beneficiary. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact VIE’s economic performance, including, but not limited to, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. We also consider whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. We have concluded that, as of December 31, 2020 and 2019, we were not the primary beneficiary of any VIEs from which we are purchasing land under land option contracts.

*Goodwill.* In accordance with ASC Topic 350, *Intangibles—Goodwill and Other* (“ASC 350”), we evaluate goodwill for possible impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use a three-step process to assess the realizability of goodwill. The first step is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, we analyze changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there are indicators of a significant decline in the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If a qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we will proceed to the second step where we calculate the fair value of a reporting unit based on discounted future probability-weighted cash flows. If this step indicates that the carrying value of a reporting unit is in excess of its fair value, we will proceed to the third step where the fair value of the reporting unit will be allocated to assets and liabilities as they would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in the third step.

Based on our analysis, we have concluded that as of December 31, 2020 and 2019, our goodwill was not impaired.

*Liability for Unrecognized Tax Benefits.* ASC Topic 740, *Income Taxes*, regarding liabilities for unrecognized tax benefits provides guidance for the recognition and measurement in financial statements of uncertain tax positions taken or expected to be taken in a tax return.

The evaluation of a tax position is a two-step process, the first step being recognition. We determine whether it is more-likely-than-not that a tax position will be sustained upon tax examination, including resolution of any related appeals or litigation, based on the technical merits of the position. The technical merits of a tax position derive from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax position. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.

The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate resolution with a taxing authority. Once the gross unrecognized tax benefit is determined, we also accrue for any interest and penalties, as well as any offsets expected from resultant amendments to federal or state tax returns. We record the aggregate effect of these items in income tax expense in the consolidated statements of operations and comprehensive income. To the extent this tax position would be offset against a similar deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed, the liability is treated as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. Otherwise, we record the corresponding liability in accrued liabilities in our consolidated balance sheets.

*Warranty Accrual.* Our homes are sold with limited third-party warranties. Under our agreement with the issuer of the third-party warranties, we are responsible for performing all of the work for the first two years of the warranty coverage and paying for substantially all of the work required to be performed during years three through ten of the warranties. We record accruals for general and structural warranty claims, as well as accruals for known, unusual warranty-related expenditures. Our warranty accrual is recorded based upon historical payment experience in an amount estimated to be adequate to cover expected costs of materials and outside labor during warranty periods. The determination of the warranty accrual rate for closed homes and the evaluation of our warranty accrual balance at period end are based on an internally developed analysis that includes known facts and interpretations of circumstances, including, among other things, our trends in historical warranty payment levels and warranty payments for claims not considered to be normal and recurring.



Warranty payments are recorded against the warranty accrual. Additional reserves may be established for known, unusual warranty-related expenditures not covered through the independent warranty accrual analysis performed by us. Warranty payments incurred for an individual house may differ from the related reserve established for the home at the time it was closed. The actual disbursements for warranty claims are evaluated in the aggregate to determine if an adjustment to the historical warranty accrual should be recorded.

We assess the reasonableness and adequacy of the reserve and the per-unit reserve amount originally included in home cost of sales, as well as the timing of the reversal of any excess reserve on a quarterly basis, using historical payment data and other relevant information. Our warranty accrual is included in accrued and other liabilities in the homebuilding section of our consolidated balance sheets and adjustments to our warranty accrual are recorded as an increase or reduction to home cost of sales in the homebuilding section of our consolidated statements of operations and comprehensive income. See Note 13 to the Consolidated Financial Statements.

*Insurance Reserves.* The establishment of reserves for estimated losses associated with insurance policies issued by Allegiant and re-insurance agreements issued by StarAmerican are based on actuarial studies that include known facts and interpretations of circumstances, including our experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, product mix or concentration, claim severity, frequency patterns depending on the business conducted, and changing regulatory and legal environments. It is possible that changes in the insurance payment experience used in estimating our ultimate insurance losses could have a material impact on our insurance reserves. See Note 14 to the Consolidated Financial Statements.

*Reserves for Construction Defect Claims.* The establishment of reserves for estimated losses to be incurred by our homebuilding subsidiaries associated with (1) the self-insured retention (“SIR”) portion of construction defect claims that are expected to be covered under insurance policies with Allegiant and (2) the entire cost of any construction defect claims that are not expected to be covered by insurance policies with Allegiant are based on actuarial studies that include known facts similar to those established for our insurance reserves. It is possible that changes in the payment experience used in estimating our ultimate losses for construction defect claims could have a material impact on our reserves. See Note 14 to the Consolidated Financial Statements.

*Litigation Reserves.* We and certain of our subsidiaries have been named as defendants in various cases. We reserve for estimated exposure with respect to these cases based upon currently available information on each case. See Note 18 to the Consolidated Financial Statements.

*Derivative Financial Instruments.* The derivative instruments we utilize in the normal course of business are interest rate lock commitments and forward sales of mortgage-backed securities, both of which typically are short-term in nature. Forward sales of mortgage-backed securities are utilized to hedge changes in fair value of our interest rate lock commitments as well as mortgage loans held-for-sale that are not under commitments to sell. For forward sales of mortgage-backed securities, as well as interest rate lock commitments that are still outstanding at the end of a reporting period, we record the changes in fair value of the derivatives in revenues in the financial services section of our consolidated statements of operations and comprehensive income with an offset to other assets or accounts payable and accrued liabilities in the financial services section of our consolidated balance sheets, depending on the nature of the change.

At December 31, 2020 and 2019, we had interest rate lock commitments with aggregate principal balances of \$230.5 million and \$104.5 million, respectively, at average interest rates of 2.69% and 3.72% respectively. In addition, we had \$91.1 million and \$58.5 million of mortgage loans held-for-sale at December 31, 2020 and 2019, respectively, that had not yet been committed to a mortgage purchaser. In order to economically hedge the changes in fair value of our interest rate lock commitments and mortgage loans held-for-sale which had not yet been committed to a mortgage purchaser, we had forward sales of securities totaling \$203.0 million and \$108.5 million at December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020, 2019 and 2018, we recorded net gains (losses) on our derivatives of \$4.7 million, \$0.3 million and \$0.4 million, respectively. For further discussion of our policies regarding interest rate lock commitments, see our “Revenue Recognition for HomeAmerican” accounting policy section below.

*Revenue Recognition for Homebuilding Segments.* We recognize home sale revenues from home deliveries when we have satisfied the performance obligations within the sales agreement, which is generally when title to and possession of the home are transferred to the buyer at the home closing date. Revenue from a home delivery includes the base sales price and any purchased options and upgrades and is reduced for any sales price incentives.

We generally do not record the sale of a home or recognize the associated revenue if all of the following criteria are present: (1) HomeAmerican originates the mortgage loan and has not sold the mortgage loan, or loans, as of the end of the pertinent reporting period; and (2) the homebuyer does not meet certain collectability thresholds, based on the type of mortgage loan, related to their credit score, debt to income ratio and loan to value ratio. The deferral is subsequently recognized at the time HomeAmerican sells the respective loan to a third-party purchaser. In the event the gross margin is a loss, we recognize such loss at the time the home is closed.

In certain states where we build, we are not always able to complete certain outdoor features (such as landscaping or pools) prior to closing the home. To the extent these separate deliverables are not complete upon the closing of a home, we defer home sale revenues related to incomplete outdoor features, and recognize that revenue upon completion of the outdoor features.

Revenue expected to be recognized in any future year related to remaining performance obligations (if any) and contract liabilities expected to be recognized as revenue, excluding revenue pertaining to contracts that have an original expected duration of one year or less, is not material.

*Revenue Recognition for HomeAmerican.* Revenues recorded by HomeAmerican primarily reflect (1) origination fees and (2) the corresponding sale, or expected future sale, of a loan, which will include the estimated earnings from either the release or retention of a loan's servicing rights. Origination fees are recognized when a loan is originated. When an interest rate lock commitment is made to a customer, we record the expected gain on sale of the mortgage, plus the estimated earnings from the expected sale of the associated servicing rights, adjusted for a pull-through percentage (which is defined as the likelihood that an interest rate lock commitment will be originated), as revenue. As the interest rate lock commitment gets closer to being originated, the expected gain on the sale of that loan plus its servicing rights is updated to reflect current market value and the increase or decrease in the fair value of that interest rate lock commitment is recorded through revenues. At the same time, the expected pull-through percentage of the interest rate lock commitment to be originated is updated (typically an increase as the interest lock commitment gets closer to origination) and, if there has been a change, revenues are adjusted as necessary. After origination, our mortgage loans, generally including their servicing rights, are sold to third-party purchasers in accordance with sale agreements entered into by us with a third-party purchaser of the loans. We make representations and warranties with respect to the status of loans transferred in the sale agreements. The sale agreements generally include statements acknowledging the transfer of the loans is intended by both parties to constitute a sale. Sale of a mortgage loan has occurred when the following criteria, among others, have been met: (1) fair consideration has been paid for transfer of the loan by a third party in an arms-length transaction, (2) all the usual risks and rewards of ownership that are in substance a sale have been transferred by us to the third party purchaser; and (3) we do not have a substantial continuing involvement with the mortgage loan.

We measure mortgage loans held-for-sale at fair value with the changes in fair value being reported in earnings at each reporting date. The impact of recording changes in fair value to earnings did not have a material impact on our financial position, results of operations or cash flows during the years ended December 31, 2020, 2019 or 2018. Our net gains on the sale of mortgage loans were \$93.3 million, \$55.3 million and \$41.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, and are included as a component of revenues in the financial services section of the consolidated statements of operations and comprehensive income.

*Home Cost of Sales.* Home cost of sales includes the specific construction costs of each home and all applicable land acquisition, land development and related costs, warranty costs and finance and closing costs, including closing cost incentives. We use the specific identification method for the purpose of accumulating home construction costs and allocate costs to each lot within a subdivision associated with land acquisition and land development based upon relative fair value of the lots prior to home construction. Lots within a subdivision typically have comparable fair values, and, as such, we generally allocate costs equally to each lot within a subdivision. We record all home cost of sales when a home is closed and performance obligations have been completed on a house-by-house basis.

When a home is closed, we may not have paid for all costs necessary to complete the construction of the home. This includes (1) construction that has been completed on a house but has not yet been billed or (2) work still to be performed on a home (such as limited punch-list items or certain outdoor features). For each of these items, we create an estimate of the total expected costs to be incurred and, with the exclusion of outdoor features, the estimated total costs for those items, less any amounts paid to date, are included in home cost of sales. Actual results could differ from such estimates. For incomplete outdoor features, we will defer the revenue and any cost of sales on this separate stand-alone deliverable until complete.

*Stock-Based Compensation Expense.* In accordance with ASC Topic 718, *Compensation—Stock Compensation* (“ASC 718”), stock-based compensation expense for all share-based payment awards is based on the grant date fair value. For stock option awards granted with just service and/or performance conditions, we estimate the fair value using a Black-Scholes option pricing model. For any stock option awards granted that contain a market condition, we estimate the fair value using a Monte Carlo simulation model. We recognize expense for share-based payment awards based on their varying vesting conditions as follows:

- Awards with service-based vesting conditions only – Expense is recognized on a straight-line basis over the requisite service period of the award.
- Awards with performance-based vesting conditions – Expense is not recognized until it is determined that it is probable the performance-based conditions will be met. When achievement of a performance-based condition is probable, a catch-up of expense will be recorded as if the award had been vesting on a straight-line basis from the award date. The award will continue to be expensed on a straight-line basis until the probability of achieving the performance-based condition changes, if applicable.
- Awards with market-based vesting conditions (“Market-Based”) – Expense is recognized on a straight-line basis over the requisite service period, which is the lesser of the derived service period or the explicit service period, if one is present. However, if the market condition is satisfied prior to the end of the requisite service period, we will accelerate all remaining expense to be recognized.

An annual forfeiture rate is estimated at the time of grant for all share-based payment awards that contain service and/or performance conditions. That rate is revised, if necessary, in subsequent periods if the actual forfeiture rate differs from our estimate.

*Earnings (Loss) Per Common Share.* For purposes of calculating earnings (loss) per share (“EPS”), a company that has participating security holders (for example, holders of unvested restricted stock that have non-forfeitable dividend rights) is required to utilize the two-class method for calculating earnings per share unless the treasury stock method results in lower EPS. The two-class method is an allocation of earnings/(loss) between the holders of common stock and a company’s participating security holders. Under the two-class method, earnings/(loss) for the reporting period are allocated between common shareholders and other security holders based on their respective rights to receive distributed earnings (i.e., dividends) and undistributed earnings (i.e., net income/(loss)). Our common shares outstanding are comprised of shareholder owned common stock and shares of unvested restricted stock held by participating security holders. Basic EPS is calculated by dividing income or loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, excluding participating shares in accordance with ASC 260. To calculate diluted EPS, basic EPS is further adjusted to include the effect of potentially dilutive stock options outstanding.

## 2. Recently Issued Accounting Standards

### Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires measurement and recognition of expected credit losses for financial assets held. The amendments in ASU 2016-13 eliminate the probable threshold for initial recognition of a credit loss in current GAAP and reflect an entity's current estimate of all expected credit losses. On January 1, 2020, we adopted ASU 2016-13 using the modified retrospective transition method, resulting in a cumulative effect adjustment that decreased the opening balance of retained earnings by less than \$0.1 million. The standard did not materially impact our consolidated statements of operations and comprehensive income or consolidated cash flows.

In March 2020, the Securities and Exchange Commission ("SEC") adopted amendments to the financial disclosure requirements applicable to registered debt offerings that include credit enhancements, such as subsidiary guarantees, in Rule 3-10 of Regulation S-X. The amended rule focuses on providing material, relevant and decision-useful information regarding guarantees and other credit enhancements, while eliminating certain prescriptive requirements. The rule is effective January 4, 2021 but earlier compliance is permitted. The Company adopted these amendments on June 30, 2020. As the combined assets, liabilities and results of operations of M.D.C. Holdings, Inc. and the Guarantor Subsidiaries (the "Obligor Group") are not materially different from those in the homebuilding section of our consolidated balance sheets and consolidated statements of operations and comprehensive income, separate summarized financial information of the Obligor Group has not been included. See Note 25 for further information regarding subsidiary guarantees.

ASU 2016-02, *Leases* ("ASU 2016-02") is codified in ASC 842, *Leases* ("ASC 842"). ASC 842 supersedes current lease guidance in ASC 840 and requires a lessee to recognize a right-of-use asset and a corresponding lease liability for substantially all leases. The lease liability is equal to the present value of the remaining lease payments while the right-of-use asset is similarly calculated and then adjusted for initial direct costs. In addition, ASC 842 expands the disclosure requirements to increase the transparency and comparability of the amount, timing and uncertainty of cash flows arising from leases. On January 1, 2019, we adopted ASC 842 using the modified retrospective transition method. We elected available practical expedients permitted under the transition guidance within the new standard, which among other items, allowed the Company to carry forward its historical lease classification and not reassess existing leases under the new definition of a lease in ASC 842. In addition, we will account for lease and non-lease components as a single lease component.

The adoption of ASC 842 resulted in the recording of additional net lease assets and lease liabilities of \$34.2 million and \$34.3 million, respectively, as of January 1, 2019. The difference between the additional lease assets and lease liabilities, net of the deferred tax impact, was recorded as an adjustment to retained earnings. The operating lease right-of-use asset and lease liability is included as a component of prepaids and other assets and accrued and other liabilities, respectively, in the homebuilding section and other assets and accounts payable and accrued liabilities, respectively, in the financial services section of our consolidated balance sheet. The standard did not materially impact our consolidated statements of operations and comprehensive income or consolidated cash flows.

ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220)* ("ASU 2018-02"). ASU 2018-02 allows for a reclassification from accumulated other comprehensive income to retained earnings for certain tax effects resulting from the Tax Cuts and Jobs Act that was signed into law in December 31, 2017 (the "Act"). ASU 2018-02 is effective for our interim and annual reporting periods beginning January 1, 2018, and is to be applied either (a) at the beginning of the period of adoption or (b) retrospectively to each period in which the income tax effects of the Act related to items remaining in accumulated other comprehensive income are recognized. On January 1, 2018, we adopted ASU 2018-02 by recognizing an adjustment to the opening balance of retained earnings for certain tax effects related to net unrealized gains on equity investments. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the period. See Note 6 for a summary of transition adjustments impacting accumulated other comprehensive income.

ASU 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). On January 1, 2018, we adopted ASU 2016-01 using a modified retrospective transition method. Prior to this amendment, our equity investments with readily determinable fair values were classified as available for sale with changes in fair value being reported through other comprehensive income. Under the amended standard, any changes in fair value of equity investments with readily determinable fair values are now recognized in net income. We adopted the changes from ASU 2016-01 by recognizing an adjustment to beginning retained earnings for our net unrealized gains/losses on equity investments with readily determinable fair values. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the period. See Note 6 for a summary of transition adjustments impacting accumulated other comprehensive income.

ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). In May 2014, ASU 2014-09 was issued which created ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) and is a comprehensive new revenue recognition model. In addition, ASU 2014-09 amended ASC 340, *Other Assets and Deferred Costs*, by adding ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers* (“ASC 340-40”). On January 1, 2018, we adopted ASC 606 and ASC 340-40 using the modified retrospective transition method applied to contracts that were not completed as of January 1, 2018. We recognized the cumulative effect of initially applying ASC 606 and ASC 340-40 as an adjustment to the opening balance of retained earnings resulting in an increase to the opening balance of \$1.8 million. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the period. As a result of adopting ASC 606 and ASC 340-40, there was not a material impact to our consolidated balance sheets or consolidated statements of operations and comprehensive income.

### 3. Supplemental Income Statement and Cash Flow Disclosure

The table below details homebuilding interest and other income and financial services other income (expense), net:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
<b>Homebuilding</b>			
Interest and other income			
Interest income	\$ 2,711	\$ 7,797	\$ 6,376
Other income	1,522	1,273	1,342
Total	<u>\$ 4,233</u>	<u>\$ 9,070</u>	<u>\$ 7,718</u>
<b>Financial Services</b>			
Other income (expense), net			
Interest income	\$ 3,578	\$ 4,404	\$ 4,031
Dividend income	335	1,022	869
Gain (loss) on marketable equity securities, net	(8,285)	11,797	(3,745)
Total	<u>\$ (4,372)</u>	<u>\$ 17,223</u>	<u>\$ 1,155</u>

The table below sets forth supplemental disclosures of cash flow information and non-cash investing and financing activities.

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
<b>Cash paid for:</b>			
Interest, net of interest capitalized	\$ 685	\$ 685	\$ 726
Income taxes	\$ 72,988	\$ 56,476	\$ 30,157

### 4. Segment Reporting

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker (“CODM”), or decision-making group, to evaluate performance and make operating decisions. We have identified our CODM as two key executives—the Executive Chairman and the Chief Executive Officer (“CEO”).

We have identified each homebuilding division as an operating segment. Our homebuilding operating segments have been aggregated into the reportable segments noted below because they are similar in the following regards: (1) economic characteristics; (2) housing products; (3) class of homebuyer; (4) regulatory environments; and (5) methods used to construct and sell homes. Our homebuilding reportable segments are as follows:

- West (Arizona, California, Nevada, Washington and Oregon)
- Mountain (Colorado and Utah)
- East (mid-Atlantic, which includes Virginia and Maryland, and Florida)

Our financial services business consists of the following operating segments: (1) HomeAmerican; (2) Allegiant; (3) StarAmerican; (4) American Home Insurance; and (5) American Home Title. Due to its contributions to consolidated pretax income we consider HomeAmerican to be a reportable segment (“mortgage operations”). The remaining operating segments have been aggregated into one reportable segment (“other”) because they do not individually exceed 10 percent of (1) consolidated revenue; (2) the greater of (a) combined reported profit of all operating segments that did not report a loss or (b) the positive value of the combined reported loss of all operating segments that reported losses; or (3) consolidated assets.

Corporate is a non-operating segment that develops and implements strategic initiatives and supports our operating divisions by centralizing key administrative functions such as finance, treasury, information technology, insurance, risk management, litigation and human resources. Corporate also provides the necessary administrative functions to support MDC as a publicly traded company. A portion of the expenses incurred by Corporate are allocated to the homebuilding operating segments based on their respective percentages of assets, and to a lesser degree, a portion of Corporate expenses are allocated to the financial services segments. A majority of Corporate’s personnel and resources are primarily dedicated to activities relating to the homebuilding segments, and, therefore, the balance of any unallocated Corporate expenses is included in the homebuilding operations section of our consolidated statements of operations and comprehensive income.

On a periodic basis, we assess our Corporate cost allocation estimates. Our most recent assessment resulted in increases in Corporate cost allocations to both our homebuilding and financial services segments beginning January 1, 2020, to reflect the use of centralized administrative functions. Applying the most recent cost allocation estimate to the year ended December 31, 2019 would have resulted in decreased pretax income for our homebuilding and financial services segments of approximately \$11.1 million and \$1.6 million, respectively, with corresponding decrease in our Corporate segment pretax loss. Additionally, beginning January 1, 2020, we have reflected the expense associated with all homebuilding employee bonuses in the respective homebuilding segment to which the employee reports, consistent with how the CODM is now evaluating homebuilding division performance and making operating decisions. Had these bonuses been reflected in a similar manner during the year ended December 31, 2019, pretax income for our homebuilding segments would have decreased by an additional \$13.1 million with a corresponding decrease in our Corporate segment pretax loss.

The following tables present revenue and pretax income / (loss) relating to our homebuilding and financial services operations:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
<b>Homebuilding</b>			
West	\$ 2,106,241	\$ 1,771,060	\$ 1,567,141
Mountain	1,293,779	1,131,568	1,080,475
East	365,359	302,620	334,195
Total homebuilding revenues	<u>\$ 3,765,379</u>	<u>\$ 3,205,248</u>	<u>\$ 2,981,811</u>
<b>Financial Services</b>			
Mortgage operations	\$ 101,675	\$ 55,222	\$ 53,476
Other	34,157	32,783	29,929
Total financial services revenues	<u>\$ 135,832</u>	<u>\$ 88,005</u>	<u>\$ 83,405</u>
Total revenues	<u>\$ 3,901,211</u>	<u>\$ 3,293,253</u>	<u>\$ 3,065,216</u>

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
<b>Homebuilding</b>			
West	\$ 229,951	\$ 163,069	\$ 128,829
Mountain	175,001	136,313	134,710
East	20,006	9,857	12,611
Corporate	(46,441)	(64,477)	(58,656)
Total homebuilding pretax income	<u>\$ 378,517</u>	<u>\$ 244,762</u>	<u>\$ 217,494</u>
<b>Financial Services</b>			
Mortgage operations	\$ 71,017	\$ 29,312	\$ 31,920
Other	7,978	30,915	14,440
Total financial services pretax income	<u>\$ 78,995</u>	<u>\$ 60,227</u>	<u>\$ 46,360</u>
Total pretax income	\$ 457,512	\$ 304,989	\$ 263,854

The following table summarizes total assets for our homebuilding and financial services operations. The assets in our West, Mountain and East segments consist primarily of inventory while the assets in our Corporate segment primarily include cash and cash equivalents and our deferred tax assets. The assets in our financial services operations consist mostly of cash and cash equivalents, marketable securities and mortgage loans held-for-sale.

	December 31,	
	2020	2019
	(Dollars in thousands)	
<b>Homebuilding Assets</b>		
West	\$ 1,855,567	\$ 1,461,645
Mountain	905,007	869,665
East	274,937	194,592
Corporate	470,909	505,507
Total homebuilding assets	<u>\$ 3,506,420</u>	<u>\$ 3,031,409</u>
<b>Financial Services</b>		
Mortgage operations	\$ 279,649	\$ 209,946
Other	78,851	97,001
Total financial services assets	<u>\$ 358,500</u>	<u>\$ 306,947</u>
Total assets	\$ 3,864,920	\$ 3,338,356

## 5. Earnings Per Share

On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC 260, basic and diluted earnings per share amounts, weighted-average shares outstanding, and dividends declared per share have been restated for all appropriate periods presented to reflect the effect of these stock dividends. The following table shows our basic and diluted EPS calculations:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands, except per share amounts)		
<b>Numerator</b>			
Net income	\$ 367,582	\$ 238,312	\$ 210,780
Less: distributed earnings allocated to participating securities	(583)	(466)	(413)
Less: undistributed earnings allocated to participating securities	(1,748)	(1,020)	(846)
Net income attributable to common stockholders (numerator for basic earnings per share)	365,251	236,826	209,521
Add back: undistributed earnings allocated to participating securities	1,748	1,020	846
Less: undistributed earnings reallocated to participating securities	(1,704)	(992)	(833)
Numerator for diluted earnings per share under two class method	\$ 365,295	\$ 236,854	\$ 209,534
<b>Denominator</b>			
Weighted-average common shares outstanding	63,455,422	61,616,988	60,571,123
Add: dilutive effect of stock options	1,659,265	1,737,945	984,076
Add: dilutive effect of performance share units	326,592	347,733	275,562
Denominator for diluted earnings per share under two class method	65,441,279	63,702,666	61,830,761
Basic Earnings Per Common Share	\$ 5.76	\$ 3.84	\$ 3.46
Diluted Earnings Per Common Share	\$ 5.58	\$ 3.72	\$ 3.39

Diluted EPS for the years ended December 31, 2020, 2019 and 2018 excluded options to purchase approximately 0.4 million, 0.4 million, 0.7 million shares, respectively, of common stock because the effect of their inclusion would be anti-dilutive.

## 6. Accumulated Other Comprehensive Income

The following table sets forth our changes in accumulated other comprehensive income:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Unrealized gains (losses) on available-for-sale marketable securities <sup>(1)</sup> :			
Beginning balance	\$ —	\$ —	\$ 3,992
Adoption of ASU 2018-02 (Note 2)	—	—	860
Adoption of ASU 2016-01 (Note 2)	—	—	(4,852)
Ending balance	\$ —	\$ —	\$ —

(1) All amounts net-of-tax.

During the first quarter of 2018, an election was made to reclassify the income tax effects of the Tax Cuts and Jobs Act related to net unrealized gains on equity investments from accumulated other comprehensive income to retained earnings. See Note 2 for further discussion of adoption of new accounting standards.



## 7. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements* (“ASC 820”), defines fair value, establishes guidelines for measuring fair value and requires disclosures regarding fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs, other than quoted prices in active markets, that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table sets forth the fair values and methods used for measuring the fair values of financial instruments on a recurring basis:

Financial Instrument	Hierarchy	Fair Value	
		December 31, 2020	December 31, 2019
(Dollars in thousands)			
Marketable securities			
Equity securities	Level 1	\$ —	\$ 56,747
Mortgage loans held-for-sale, net	Level 2	\$ 232,556	\$ 197,021

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2020 and 2019.

*Cash and cash equivalents (excluding debt securities with an original maturity of three months or less), restricted cash, trade and other receivables, prepaids and other assets, accounts payable, accrued and other liabilities and borrowings on our revolving credit facility.* Fair value approximates carrying value.

*Equity securities.* Our equity securities consisted of holdings in common stock and exchange traded funds and are recorded at fair value as with all changes in fair value recorded to other income / (expense), net in the financial services section of our consolidated statements of operations and comprehensive income.

The following table reconciles the net gain (loss) recognized during the year ended December 31, 2020 and 2019 on equity securities to the unrealized gain (loss) recognized during the period on equity securities still held at the reporting date.

	Year Ended December 31,	
	2020	2019
(Dollars in thousands)		
Net gain (loss) recognized during the period on equity securities	\$ (8,285)	\$ 11,797
Less: Net gain (loss) recognized during the period on equity securities sold during the period	(8,285)	647
Unrealized gain (loss) recognized during the reporting period on equity securities still held at the reporting date	\$ —	\$ 11,150

*Mortgage Loans Held-for-Sale, Net.* Our mortgage loans held-for-sale, which are measured at fair value on a recurring basis include (1) mortgage loans held-for-sale that are under commitments to sell and (2) mortgage loans held-for-sale that were not under commitments to sell. At December 31, 2020 and 2019, we had \$137.3 million and \$136.8 million, respectively, of mortgage loans held-for-sale that were under commitments to sell. The fair value for those loans was based on quoted market prices for those mortgage loans, which are Level 2 fair value inputs. At December 31, 2020 and 2019, we had \$95.3 million and \$60.2 million, respectively, of mortgage loans held-for-sale that were not under commitments to sell. The fair value for those loans was primarily based upon the estimated market price received from an outside party, which is a Level 2 fair value input. The unpaid principal balances of all mortgage loans held for sale at December 31, 2020 and 2019 were \$222.3 million and \$191.3 million, respectively.

*Mortgage Repurchase Facility.* The debt associated with our Mortgage Repurchase Facility (see Note 17 for further discussion) is at floating rates that approximate current market rates and have relatively short-term maturities, generally within 30 days. The fair value approximates carrying value and is based on Level 2 inputs.

*Senior Notes.* The estimated values of the senior notes in the following table are based on Level 2 inputs, which primarily reflect estimated prices for our senior notes which were provided by multiple sources.

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Dollars in thousands)				
\$250 million 5.625% senior notes due February 2020, net	\$ —	\$ —	\$ 249,909	\$ 250,400
\$250 million 5.500% senior notes due January 2024, net	249,233	275,463	249,005	272,083
\$300 million 3.850% senior notes due January 2030, net	297,458	331,384	—	—
\$500 million 6.000% senior notes due January 2043, net	490,700	667,288	490,508	528,542
Total	<u>\$ 1,037,391</u>	<u>\$ 1,274,135</u>	<u>\$ 989,422</u>	<u>\$ 1,051,025</u>

## 8. Inventories

The table below sets forth, by reportable segment, information relating to our homebuilding inventories.

	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
Housing Completed or Under Construction:		
West	\$ 902,842	\$ 589,040
Mountain	464,501	358,370
East	119,244	88,781
Subtotal	<u>1,486,587</u>	<u>1,036,191</u>
Land and Land Under Development:		
West	822,504	772,189
Mountain	391,054	468,718
East	132,085	89,477
Subtotal	<u>1,345,643</u>	<u>1,330,384</u>
Total Inventories	<u>\$ 2,832,230</u>	<u>\$ 2,366,575</u>

Inventory impairments recognized by segment for the years ended December 31, 2020, 2019 and 2018 are shown in the table below.

	Year Ended December 31,		
	2020	2019	2018
(Dollars in thousands)			
Housing Completed or Under Construction:			
West	\$ —	\$ 100	\$ 2,860
Mountain	—	—	417
East	—	435	1,227
Subtotal	<u>—</u>	<u>535</u>	<u>4,504</u>
Land and Land Under Development:			
West	—	—	16,198
Mountain	—	400	958
East	—	—	190
Subtotal	<u>—</u>	<u>400</u>	<u>17,346</u>
Total Inventory Impairments	<u>\$ —</u>	<u>\$ 935</u>	<u>\$ 21,850</u>

The table below provides quantitative data, for the periods presented, where applicable, used in determining the fair value of the impaired inventory.

Three Months Ended	Impairment Data			Quantitative Data		
	Number of Subdivisions Impaired	Inventory Impairments	Fair Value of Inventory After Impairments	Discount Rate		
	(Dollars in thousands)					
March 31, 2019	2	\$ 610	\$ 10,476	N/A		
December 31, 2019	2	325	3,948	N/A		
Total		<u>\$ 935</u>				
March 31, 2018	2	\$ 550	\$ 5,223	12%		
June 30, 2018	1	200	767	12%		
September 30, 2018	2	11,098	29,874	12 %	—	18%
December 31, 2018	10	10,002	32,248	12 %	—	18%
Total		<u>\$ 21,850</u>				

## 9. Capitalization of Interest

We capitalize interest to inventories during the period of development in accordance with ASC Topic 835, *Interest* (“ASC 835”). Homebuilding interest capitalized as a cost of inventories is included in cost of sales during the period that related units or lots are delivered. To the extent our homebuilding debt exceeds our qualified assets as defined in ASC 835, we expense a portion of the interest incurred. Qualified homebuilding assets consist of all lots and homes, excluding finished unsold homes or finished models, within projects that are actively selling or under development. The table set forth below summarizes homebuilding interest activity. For all periods presented below, our qualified assets exceeded our homebuilding debt and as such, all interest incurred has been capitalized.

	Year Ended December 31,		
	2020	2019	2018
(Dollars in thousands)			
Homebuilding interest incurred	\$ 61,276	\$ 63,635	\$ 62,631
Less: Interest capitalized	(61,276)	(63,635)	(62,631)
Homebuilding interest expensed	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Interest capitalized, beginning of period	\$ 55,310	\$ 54,845	\$ 57,541
Plus: Interest capitalized during period	61,276	63,635	62,631
Less: Previously capitalized interest included in home and land cost of sales	(63,809)	(63,170)	(65,327)
Interest capitalized, end of period	<u>\$ 52,777</u>	<u>\$ 55,310</u>	<u>\$ 54,845</u>

## 10. Homebuilding Prepaids and Other Assets

The following table sets forth the components of homebuilding prepaids and other assets.

	December 31,	
	2020	2019
	(Dollars in thousands)	
Operating lease right-of-use asset (Note 2 and Note 11)	\$ 29,226	\$ 30,277
Land option deposits	29,987	27,361
Prepaids	26,929	7,294
Goodwill	6,008	6,008
Deferred debt issuance costs on revolving credit facility, net	9,043	6,130
Other	492	1,288
Total	<u>\$ 101,685</u>	<u>\$ 78,358</u>

## 11. Leases

We lease certain property, land and equipment, the majority of which comprise property related leases to provide office space where we operate our business. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We recognize lease expense for these leases on a straight-line basis over the lease term.

Our property related leases typically have terms of between three and five years, with the exception of the lease governing the Company's headquarters. All of our property leases are classified as operating leases. These leases do not contain any residual value guarantees or restrictive covenants and do not include variable lease payments, except for the payment of common area maintenance and real estate taxes. Many of our property related leases give us the option to extend the lease term for a period of time, generally consistent with the initial lease term. These options are excluded from our calculation of the right-of-use asset and lease liability until such time as we determine it is reasonably certain that the option will be exercised.

The property related lease for the Company's headquarters in Denver, Colorado is ten years in length with an expiration date of October 31, 2026 and contains a ten year option to extend the term of the lease through 2036. This option has been excluded from our calculation of the right-of-use asset and lease liability as it is not currently considered reasonably certain that the option will be exercised.

Operating lease expense is included as a component of selling, general and administrative expenses and expenses in the homebuilding and financial services sections of our consolidated statements of operations and comprehensive income, respectively.

Components of operating lease expense were as follows:

	Year Ended December 31,	
	2020	2019
	(Dollars in thousands)	
Operating lease cost <sup>1</sup>	\$ 8,193	\$ 7,690
Sublease income (Note 16)	(153)	(150)
Net lease cost	<u>\$ 8,040</u>	<u>\$ 7,540</u>

<sup>1</sup> Includes variable lease costs, which are immaterial.

Rent expense under cancellable and non-cancellable operating leases totaled \$7.4 million in 2018.

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,	
	2020	2019
	(Dollars in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 7,394	\$ 7,255
Leased assets obtained in exchange for new operating lease liabilities	\$ 4,050	\$ 3,255

Supplemental cash flow information related to non-cash transactions also includes the recognition of operating lease right-of-use assets of \$33.5 million and operating lease liabilities of \$34.3 million upon adoption of ASC 842 during the year ended December 31, 2019.

Weighted-average remaining lease term and discount rate for operating leases were as follows:

	December 31, 2020
Weighted-average remaining lease term (years)	5.3
Weighted-average discount rate	5.5%

Maturities of operating lease liabilities were as follows:

	Year Ended December 31, (Dollars in thousands)
2021	\$ 6,773
2022	7,115
2023	6,192
2024	5,607
2025	5,380
Thereafter	4,716
Total operating lease payments	\$ 35,783
Less: Interest	(4,854)
Present value of operating lease liabilities <sup>1</sup>	\$ 30,929

<sup>1</sup> Homebuilding and financial services operating lease liabilities of \$30.2 million and \$0.7 million, respectively, are included as a component of accrued and other liabilities and accrued liabilities, respectively, in the homebuilding and financial services section of our consolidated balance sheet at December 31, 2020.

## 12. Homebuilding Accrued and Other Liabilities and Financial Services Accounts Payable and Accrued Liabilities

The following table sets forth information relating to homebuilding accrued and other liabilities.

	December 31,	
	2020	2019
	(Dollars in thousands)	
Accrued compensation and related expenses	\$ 56,682	\$ 45,003
Customer and escrow deposits	67,022	39,001
Warranty accrual	33,664	31,386
Lease liability (Note 2 and Note 11)	30,221	30,830
Accrued interest	27,650	27,734
Construction defect claim reserves	8,479	8,196
Land development and home construction accruals	10,824	9,750
Other accrued liabilities	66,193	54,040
Total accrued and other liabilities	<u>\$ 300,735</u>	<u>\$ 245,940</u>

The following table sets forth information relating to financial services accounts payable and accrued liabilities.

	December 31,	
	2020	2019
	(Dollars in thousands)	
Insurance reserves	\$ 61,575	\$ 52,219
Accounts payable and other accrued liabilities	34,055	16,310
Total accounts payable and accrued liabilities	<u>\$ 95,630</u>	<u>\$ 68,529</u>

## 13. Warranty Accrual

The table set forth below summarizes accrual, adjustment and payment activity related to our warranty accrual for the years ended December 31, 2020, 2019 and 2018. The warranty accrual increased due to the increase in the number of home closings, which was partially offset during 2020 by adjustments to our per home warranty accrual rate due to lower than expected general warranty related expenditures in certain close of escrow years. From time to time, we change our warranty accrual rates based on payment trends. Any changes made to those rates did not materially affect our warranty expense or gross margin from home sales for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Balance at beginning of period	\$ 31,386	\$ 28,262	\$ 21,909
Expense provisions	16,700	15,525	14,513
Cash payments	(12,343)	(12,466)	(11,573)
Adjustments	(2,079)	65	3,413
Balance at end of period	<u>\$ 33,664</u>	<u>\$ 31,386</u>	<u>\$ 28,262</u>

#### 14. Insurance and Construction Defect Claim Reserves

The following table summarizes our insurance and defect claim reserves activity for the years ended December 31, 2020, 2019 and 2018. These reserves are included as a component of accounts payable and accrued liabilities and accrued and other liabilities in either the financial services or homebuilding sections of the consolidated balance sheets, respectively.

	December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Balance at beginning of period	\$ 60,415	\$ 55,308	\$ 52,686
Expense provisions	15,403	12,650	11,213
Cash payments, net of recoveries	(5,764)	(8,493)	(8,591)
Adjustments	—	950	—
Balance at end of period	<u>\$ 70,054</u>	<u>\$ 60,415</u>	<u>\$ 55,308</u>

We recorded a \$1.0 million adjustment to increase our insurance and construction defect claim reserves in 2019 due to greater than expected expenditures by our homebuilding subsidiaries. No such adjustments were required for the years ended December 31, 2020 and 2018.

In the ordinary course of business, we make payments from our insurance and construction defect claim reserves to settle litigation claims arising primarily from our homebuilding activities. These payments are irregular in both their timing and their magnitude. As a result, the cash payments, net of recoveries shown for the years ended December 31, 2020, 2019 and 2018, are not necessarily indicative of what future cash payments will be for subsequent periods.

#### 15. Income Taxes

Our provision for income taxes for the years ended December 31, 2020, 2019 and 2018 consisted of the following:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Current tax provision:			
Federal	\$ 63,224	\$ 50,870	\$ 47,547
State	16,018	2,137	1,798
Total current	<u>79,242</u>	<u>53,007</u>	<u>49,345</u>
Deferred tax provision:			
Federal	6,380	5,175	(2,755)
State	4,308	8,495	6,484
Total deferred	<u>10,688</u>	<u>13,670</u>	<u>3,729</u>
Provision for income taxes	<u>\$ 89,930</u>	<u>\$ 66,677</u>	<u>\$ 53,074</u>

The provision for income taxes differs from the amount that would be computed by applying the statutory federal income tax rate of 21% in 2020, 2019 and 2018 to income before income taxes as a result of the following:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Tax expense computed at federal statutory rate	\$ 96,077	\$ 64,048	\$ 55,409
State income tax expense, net of federal benefit	17,535	9,810	9,661
Limitation on executive compensation	8,102	4,463	2,912
Rate change effect of tax method changes	—	—	(5,661)
Tax expense (benefit) related to an increase (decrease) in unrecognized tax benefits	473	(1,571)	4,680
Stock based compensation (windfall)/shortfall	(7,907)	(2,828)	415
Federal energy credits	(23,331)	(7,649)	(12,446)
Rate changes	(291)	190	(78)
Change in valuation allowance	(2,128)	121	(885)
Other	1,400	93	(933)
Provision for income taxes	<u>\$ 89,930</u>	<u>\$ 66,677</u>	<u>\$ 53,074</u>
Effective tax rate	19.7 %	21.9 %	20.1 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant temporary differences that give rise to the net deferred tax asset are as follows:

	December 31,	
	2020	2019
	(Dollars in thousands)	
Deferred tax assets:		
State net operating loss carryforwards	\$ 5,739	\$ 10,123
Stock-based compensation expense	4,546	10,493
Warranty, litigation and other reserves	12,686	12,784
Accrued compensation	2,958	2,592
Asset impairment charges	1,416	3,526
Inventory, additional costs capitalized for tax purposes	8,938	7,228
Other, net	3,441	910
Total deferred tax assets	39,724	47,656
Valuation allowance	(4,370)	(6,498)
Total deferred tax assets, net of valuation allowance	<u>35,354</u>	<u>41,158</u>
Deferred tax liabilities:		
Property, equipment and other assets	11,654	9,551
Deferral of profit on home sales	7,144	3,359
Unrealized gain on marketable securities	—	2,716
Other, net	5,102	3,764
Total deferred tax liabilities	23,900	19,390
Net deferred tax asset	<u>\$ 11,454</u>	<u>\$ 21,768</u>

At December 31, 2020, we had no federal net operating loss or alternative minimum tax carryforwards. However, we had \$5.7 million in tax-effected state net operating loss carryforwards. The state operating loss carryforwards, if unused, will begin to expire in 2021.

At December 31, 2020, we had a valuation allowance of \$4.4 million, a decrease of \$2.1 million from the prior year. The valuation allowance is related to various state net operating loss carryforwards where realization is uncertain at this time due to the limited carryforward periods coupled with minimal activity that exists in certain states.



At December 31, 2020 and 2019, our total liability for uncertain tax positions including interest and penalties was \$9.3 million and \$8.9 million, respectively, a portion of which has been offset against our state net operating loss carryforward deferred tax asset. The following table summarizes activity for the gross unrecognized tax benefit component of our total liability for uncertain tax positions for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Gross unrecognized tax benefits at beginning of year	\$ 8,515	\$ 8,579	\$ 547
Increases related to prior year tax positions	121	75	8,190
Decreases related to prior year tax positions	—	—	—
Lapse of applicable statute of limitations	(139)	(139)	(158)
Gross unrecognized tax benefits at end of year	<u>\$ 8,497</u>	<u>\$ 8,515</u>	<u>\$ 8,579</u>

At December 31, 2020 and 2019, there was \$3.5 million and \$3.3 million, respectively, of unrecognized tax benefits that if recognized, would reduce our effective tax rate.

The interest and penalties, net of federal benefit for the years ended December 31, 2020, 2019 and 2018 was \$0.5 million, \$(1.5) million and \$1.9 million, respectively, and are included in provision for income taxes in the consolidated statements of operations and comprehensive income.

We have taken positions in certain taxing jurisdictions for which it is reasonably possible that the total amounts of unrecognized tax benefits may decrease within the next twelve months due to a lapse in the statute of limitations. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. We are subject to U.S. federal income tax examination for calendar tax years ending 2017 through 2020. Additionally, we are subject to various state income tax examinations for the 2016 through 2020 calendar tax years.

## 16. Related Party Transactions

The Company has a sublease agreement with CVentures, Inc. Larry A. Mizel, the Company's Executive Chairman, is the President of CVentures, Inc. The sublease is for office space that CVentures, Inc. has continuously leased from the Company as disclosed in the Form 8-K filed July 27, 2005 and the Form 8-K filed March 28, 2006. The sublease term commenced November 1, 2016 and will continue through October 31, 2021, with an option to extend to October 31, 2026. The sublease agreement is for approximately 5,437 rentable square feet at a base rent that increases over the initial term from \$26.50 to \$28.68 per rentable square foot per year, and increasing over the extension term from \$29.26 to \$31.67 per rentable square foot per year. The sublease rent is an allocation of the rent under the master lease agreement based on the sublease square footage.

We contributed \$1.5 million, \$1.0 million, and \$1.0 million in cash to the MDC/Richmond American Homes Foundation (the "Foundation") for each of the years ended December 31, 2020, 2019 and 2018, respectively. At December 31, 2020, there was an additional \$2.2 million of foundation contributions accrued for payment. The Foundation is a Delaware non-profit corporation that was incorporated on September 30, 1999.

The Foundation is a non-profit organization operated exclusively for charitable, educational and other purposes beneficial to social welfare within the meaning of Section 501(c)(3) of the Internal Revenue Code. The following Directors and/or officers of the Company served as directors of the Foundation at December 31, 2020, all of whom serve without compensation.

Name	MDC Title
Larry A. Mizel	Executive Chairman
David D. Mandarich	President and CEO

Three other individuals, who are independent of the Company, also serve as directors of the Foundation. All directors of the Foundation serve without compensation.

## 17. Lines of Credit and Total Debt Obligations

*Revolving Credit Facility.* We have an unsecured revolving credit agreement (“Revolving Credit Facility”) with a group of lenders, which may be used for general corporate purposes. This agreement was amended on December 28, 2020 to (1) increase the aggregate commitment from \$1.0 billion to \$1.2 billion (the “Commitment”), (2) extend the Revolving Credit Facility maturity of \$1.125 billion of the Commitments to December 18, 2025 with the remaining Commitment continuing to terminate on December 18, 2023 and (3) provide that the aggregate amount of the commitments may increase to an amount not to exceed \$1.7 billion upon our request, subject to receipt of additional commitments from existing or additional lenders and, in the case of additional lenders, the consent of the co-administrative agents. As defined in the Revolving Credit Facility, interest rates on base rate borrowings are equal to the highest of (1) 0.0%, (2) a prime rate, (3) a federal funds effective rate plus 1.50%, and (4) a specified eurocurrency rate plus 1.00% and, in each case, plus a margin that is determined based on our credit ratings and leverage ratio. Interest rates on eurocurrency borrowings are equal to a specified eurocurrency rate plus a margin that is determined based on our credit ratings and leverage ratio. At any time at which our leverage ratio, as of the last day of the most recent calendar quarter, exceeds 55%, the aggregate principal amount of all consolidated senior debt borrowings outstanding may not exceed the borrowing base. There is no borrowing base requirement if our leverage ratio, as of the last day of the most recent calendar quarter, is 55% or less.

The Revolving Credit Facility is fully and unconditionally guaranteed, jointly and severally, by most of our homebuilding segment subsidiaries. The facility contains various representations, warranties and covenants that we believe are customary for agreements of this type. The financial covenants include a consolidated tangible net worth test and a leverage test, along with a consolidated tangible net worth covenant, all as defined in the Revolving Credit Facility. A failure to satisfy the foregoing tests does not constitute an event of default, but can trigger a “term-out” of the facility. A breach of the consolidated tangible net worth covenant (but not the consolidated tangible net worth test) or a violation of anti-corruption or sanctions laws would result in an event of default.

The Revolving Credit Facility is subject to acceleration upon certain specified events of default, including breach of the consolidated tangible net worth covenant, a violation of anti-corruption or sanctions laws, failure to make timely payments, breaches of certain representations or covenants, failure to pay other material indebtedness, or another person becoming beneficial owner of 50% or more of our outstanding common stock. We believe we were in compliance with the representations, warranties and covenants included in the Revolving Credit Facility as of December 31, 2020.

We incur costs associated with unused commitment fees pursuant to the terms of the Revolving Credit Facility. At December 31, 2020 and 2019, there were \$25.1 million and \$23.5 million, respectively, in letters of credit outstanding, which reduced the amounts available to be borrowed under the Revolving Credit Facility. We had \$10.0 million and \$15.0 million outstanding under the Revolving Credit Facility as of December 31, 2020 and 2019, respectively. As of December 31, 2020, availability under the Revolving Credit Facility was approximately \$1.16 billion.

*Mortgage Repurchase Facility.* HomeAmerican has a Master Repurchase Agreement (the “Mortgage Repurchase Facility”) with U.S. Bank National Association (“USBNA”). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of up to an aggregate of \$75 million (subject to increase by up to \$75 million under certain conditions) of eligible mortgage loans to USBNA with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, the documents relating to such loans are held by USBNA, as custodian, pursuant to the Custody Agreement (“Custody Agreement”), dated as of November 12, 2008, by and between HomeAmerican and USBNA. In the event that an eligible mortgage loan becomes ineligible, as defined under the Mortgage Repurchase Facility, HomeAmerican may be required to repurchase the ineligible mortgage loan immediately. The Mortgage Repurchase Facility terminates on May 20, 2021. Effective September 24, 2020, the Mortgage Repurchase Facility was amended to adjust the commitments to purchase for specific time periods and increase the Adjusted Tangible Net Worth Ratio from 8.0 to 1.0 to 10.0 to 1.0. As part of the amendment, the commitments to purchase were increased to \$100 million for the periods September 24, 2020 through October 23, 2020 and March 25, 2021 through April 23, 2021 and \$200 million for the period December 22, 2020 through February 4, 2021.

The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$50 million on December 28, 2020 effective through January 27, 2021. The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$75 million on December 24, 2019 effective through January 22, 2020, which increased the maximum aggregate commitment from \$75 million to \$150 million. At December 31, 2020 and 2019, HomeAmerican had \$202.4 million and \$149.6 million, respectively, of mortgage loans that HomeAmerican was obligated to repurchase under the Mortgage Repurchase Facility. Mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility are accounted for as a debt financing arrangement and are reported as mortgage repurchase facility in the consolidated balance sheets. Advances under the Mortgage Repurchase Facility carry a price range that is based on a LIBOR rate or successor benchmark rate.

*Senior Notes.* Our senior notes are not secured and, while the senior note indentures contain some restrictions on secured debt and other transactions, they do not contain financial covenants. Our senior notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of our homebuilding segment subsidiaries. We believe that we are in compliance with the representations, warranties and covenants in the senior note indentures.

Our debt obligations at December 31, 2020 and 2019, net of any unamortized debt issuance costs or discount, were as follows:

	December 31,	
	2020	2019
	(Dollars in thousands)	
\$250 million 5.625% senior notes due February 2020, net	\$ —	\$ 249,909
\$250 million 5.500% senior notes due January 2024, net	249,233	249,005
\$300 million 3.850% senior notes due January 2030, net	297,458	—
\$500 million 6.000% senior notes due January 2043, net	490,700	490,508
Total	<u>\$ 1,037,391</u>	<u>\$ 989,422</u>

On January 11, 2021, we completed an offering of \$350 million of 2.500% senior notes due January 2031 (see Note 24 for further discussion).

## 18. Commitments and Contingencies

***Surety Bonds and Letters of Credit.*** We are required to obtain surety bonds and letters of credit in support of our obligations for land development and subdivision improvements, homeowner association dues, warranty work, contractor license fees and earnest money deposits. At December 31, 2020, we had outstanding surety bonds and letters of credit totaling \$261.0 million and \$127.1 million, respectively, including \$102.0 millions in letters of credit issued by HomeAmerican. The estimated cost to complete obligations related to these bonds and letters of credit were approximately \$117.4 million and \$85.6 million, respectively. All letters of credit as of December 31, 2020, excluding those issued by HomeAmerican, were issued under our unsecured Revolving Credit Facility (see Note 17 for further discussion of the Revolving Credit Facility). We expect that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business and in accordance with the applicable contractual terms. To the extent that the obligations are performed, the related performance bonds and letters of credit should be released and we should not have any continuing obligations. However, in the event any such performance bonds or letters of credit are called, our indemnity obligations could require us to reimburse the issuer of the performance bond or letter of credit.

We have made no material guarantees with respect to third-party obligations.

***Litigation Reserves.*** Because of the nature of the homebuilding business, we have been named as defendants in various claims, complaints and other legal actions arising in the ordinary course of business, including product liability claims and claims associated with the sale and financing of homes. In the opinion of management, the outcome of these ordinary course matters will not have a material adverse effect upon our financial condition, results of operations or cash flows. At both December 31, 2020 and 2019, we had \$1.6 million of legal accruals.

***Loan Origination Liabilities.*** HomeAmerican sold to financial institutions certain loans originated prior to 2009 that were subsequently included by such financial institutions in residential mortgage-backed securities offerings or other securitizations issued by those financial institutions. In connection with such sales, we were put on notice by one institution of a claim for indemnification or breach of contract relating to certain loans that were included in securitizations. The claim related to alleged misrepresentations by borrowers on certain residential mortgage loans originated by HomeAmerican and/or alleged lack of conformity of certain loans to applicable underwriting guidelines promulgated by the financial institution. This matter was settled as of December 31, 2019 and did not have a material impact on our results of operations, financial position, or cash flows.

***Lot Option Contracts.*** In the ordinary course of business, we enter into lot option purchase contracts (“Option Contracts”), generally through a deposit of cash or a letter of credit, for the right to purchase land or lots at a future point in time with predetermined terms. The use of such land option and other contracts generally allow us to reduce the risks associated with direct land ownership and development, reduces our capital and financial commitments, and minimizes the amount of land inventories on our consolidated balance sheets. In certain cases, these contracts will be settled shortly following the end of the period. Our obligation with respect to Option Contracts is generally limited to forfeiture of the related deposits. At December 31, 2020, we had cash deposits and letters of credit totaling \$25.7 million and \$7.3 million, respectively, at risk associated with options to purchase 7,987 lots.

***Coronavirus/COVID-19 Pandemic.*** In response to the pandemic, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. We continue to construct, market and sell homes in all markets in which we operate, but increased restrictions could have a negative impact on traffic at our sales centers and model homes, cancellation rates and our ability to physically construct homes. While the extent to which the pandemic will impact our financial results in the coming periods depends on future developments, including whether there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus, the pandemic and its associated impact on the U.S. economy and consumer confidence could have a material impact to the Company’s future results of operations, financial condition and cash flows.

## 19. Concentration of Third-Party Mortgage Purchasers

The following table sets forth the percent of mortgage loans sold by HomeAmerican to its primary third party purchasers during 2020, 2019 and 2018. No other third parties purchased greater than 10 percent of our mortgage loans during 2020, 2019 or 2018.

	Year Ended December 31,		
	2020	2019	2018
PennyMac Loan Services, LLC	33 %	41 %	23 %
Fannie Mae	24 %	7 %	11 %
Ginnie Mae	18 %	4 %	5 %
Wells Fargo Funding, Inc.	9 %	16 %	9 %
U.S. Bancorp	3 %	6 %	11 %
SunTrust Mortgage, Inc.	— %	4 %	11 %
Flagstar Bancorp, Inc.	— %	3 %	11 %

## 20. Stockholders' Equity

*Cash Dividends.* In each of the years ended December 31, 2020, 2019 and 2018, we paid dividends of \$1.39 per share, \$1.18 per share and \$1.11 per share, respectively

*Stock Dividends.* On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019.

*Common Stock Repurchase Program.* At December 31, 2020, we were authorized to repurchase up to 4,000,000 shares of our common stock. We did not repurchase any shares of our common stock under this repurchase program during the years ended December 31, 2020, 2019 or 2018. We did not hold any treasury stock at December 31, 2020.

## 21. Equity Incentive and Employee Benefit Plans

A summary of our equity incentive plans, restated as applicable for stock dividends, follows.

*Employee Equity Incentive Plans.* Effective March 2001, we adopted the M.D.C. Holdings, Inc. 2001 Equity Incentive Plan (the "2001 Equity Incentive Plan"). Non-qualified option awards previously granted generally vested over periods of up to seven years and expire ten years after the date of grant. Restricted stock awards generally were granted with vesting terms of up to five years. On March 26, 2011, the 2001 Equity Incentive Plan terminated and all stock option grants and restricted stock awards outstanding at the time of the plan termination may continue to be exercised, or become free of restrictions, in accordance with their terms. There are no remaining shares of MDC common stock reserved for issuance under the 2001 Equity Incentive Plan as of December 31, 2020.

On April 27, 2011, our shareholders approved the M.D.C Holdings, Inc. 2011 Equity Incentive Plan (the "2011 Equity Incentive Plan"), which provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other equity awards to employees of the Company. Stock options granted under the 2011 Equity Incentive Plan have an exercise price that is at least equal to the fair market value of our common stock on the date the stock option is granted, generally vest in periods up to five years and expire ten years after the date of grant. At December 31, 2020, a total of 7.1 million shares of MDC common stock were reserved for issuance under the 2011 Equity Incentive Plan, of which 1.1 million shares remained available for grant under this plan as of December 31, 2020.

*Director Equity Incentive Plans.* Effective March 2001, we adopted the M.D.C. Holdings, Inc. Stock Option Plan for Non-Employee Directors (the "2001 Director Stock Option Plan"). Each option granted under the Director Stock Option Plan vested immediately and expires ten years from the date of grant. The 2001 Director Stock Option Plan terminated on May 21, 2012 and stock options outstanding at the time of plan termination may continue to be exercised in accordance with their terms. There are no remaining shares of MDC common stock reserved for issuance under the 2001 Director Stock Option Plan as of December 31, 2020.

Effective April 27, 2011, our shareholders approved the M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors (the “2011 Director Stock Option Plan”), which provides for the grant of non-qualified stock options to non-employee directors of the Company. Effective March 29, 2016, our shareholders approved an amendment to the 2011 Director Stock Option Plan to provide the non-employee directors with an alternative to elect to receive an award of restricted stock in lieu of a stock option. Pursuant to the 2011 Director Stock Option Plan as amended, on August 1 of each year, each non-employee director is granted either (1) an option to purchase 25,000 shares of MDC common stock or (2) shares of restricted stock having an expense to the Company that is equivalent to the stock option. Effective April 20, 2020, our shareholders approved an amendment and restatement of the 2011 Director Stock Option Plan to (1) rename the 2011 Director Stock Option Plan as the M.D.C. Holdings, Inc. 2020 Equity Plan for Non-Employee Directors (such amended and restated 2011 Director Plan, the “2020 Equity Plan”), (2) increase the number of shares covered by the annual grant of each stock option (without increasing the total number of shares authorized under the plan) to reflect, on a going forward basis, the stock dividends declared by the Company in 2016, 2017 and 2019, (3) the number of shares covered by the annual grant shall be proportionally increased or decreased in the future for any increase or decrease in the number of shares of stock outstanding on account of any recapitalization, split, reverse split, combination, exchange, dividend or other distribution payable in shares of stock, and (4) extend the 2020 Equity Plan’s termination date to April 20, 2030. Each option granted under the 2020 Equity Plan vests immediately, becomes exercisable six months after grant, and expires ten years from the date of grant. The option exercise price must be equal to the fair market value (as defined in the plan) of our common stock on the date of grant of the option. Each restricted stock award granted under the 2020 Equity Plan vests seven months after the grant date. At December 31, 2020, a total of 0.6 million shares of MDC common stock were reserved for issuance under the 2020 Equity Plan and 0.5 million shares remained available for grant under this plan as of December 31, 2020.

*Employee Benefit Plan.* We have a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code where each employee may elect to make contributions up to the current tax limits. Effective for 2018 and thereafter, we match employee contributions at a rate of 50% of the first 6% of compensation and, as of December 31, 2020, we had accrued \$3.0 million related to the match that is to be contributed in the first quarter of 2021 for 2020 activity. At December 31, 2019, we had accrued \$2.6 million related to the match that was contributed in the first quarter of 2020 for 2019 activity. At December 31, 2018, we had accrued \$2.4 million related to the match that was contributed during the first quarter of 2019 for 2018 activity.

## 22. Stock Based Compensation

*Determining Fair Value of Share-Based Option Awards.* Most options that we grant contain only a service condition (“Service-Based” option) and therefore vest over a specified number of years as long as the employee is employed by the Company. For Service-Based options, we use the Black-Scholes option pricing model to determine the grant date fair value.

The fair values for Service-Based options granted for the years ended December 31, 2020, 2019 and 2018 were estimated using the Black-Scholes option pricing model with the below weighted-average assumptions.

	Year Ended December 31,		
	2020	2019	2018
Expected lives of options (years)	9.5	9.5	9.1
Expected volatility	62.8 %	29.9 %	29.7 %
Risk free interest rate	0.7 %	1.7 %	3 %
Dividend yield rate	5.1 %	3.4 %	3.9 %

Based on calculations using the Black-Scholes option pricing model, the weighted-average grant date fair values of stock options granted during 2020, 2019 and 2018 were \$9.43, \$7.88 and \$6.32, respectively. The expected life of options in the table above represents the weighted-average period for which the options are expected to remain outstanding and are derived primarily from historical exercise patterns. The expected volatility is determined based on our review of the implied volatility that is derived from the price of exchange traded options of the Company. The risk-free interest rate assumption is determined based upon observed interest rates appropriate for the expected term of our employee stock options. The dividend yield assumption is based on our history of dividend payouts.

*Stock Option Award Activity.* Stock option activity under our option plans, restated as applicable for stock dividends, for the years ended December 31, 2020, 2019 and 2018 were as follows.

	Year Ended December 31,					
	2020		2019		2018	
	Number of Shares	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price
<b>Outstanding Stock Option Activity</b>						
Outstanding, beginning of year	5,399,184	\$ 24.00	5,974,433	\$ 23.50	6,094,033	\$ 23.35
Granted	400,000	25.81	412,247	35.55	486,000	28.45
Exercised	(1,758,294)	21.56	(987,496)	25.65	(393,571)	25.06
Forfeited	—	N/A	—	N/A	(9,950)	20.46
Cancelled	—	N/A	—	N/A	(202,079)	27.94
Outstanding, end of year	<u>4,040,890</u>	<u>\$ 25.24</u>	<u>5,399,184</u>	<u>\$ 24.00</u>	<u>5,974,433</u>	<u>\$ 23.50</u>

	Year Ended December 31,					
	2020		2019		2018	
	Number of Shares	Weighted- Average Fair Value	Number of Shares	Weighted- Average Fair Value	Number of Shares	Weighted- Average Fair Value
<b>Unvested Stock Option Activity</b>						
Outstanding, beginning of year	700,248	\$ 7.20	483,542	\$ 6.26	135,481	\$ 5.76
Granted	400,000	9.43	412,247	7.88	486,000	6.32
Vested	(289,582)	6.96	(195,541)	5.93	(127,989)	6.18
Forfeited	—	—	—	N/A	(9,950)	3.90
Unvested, end of year	<u>810,666</u>	<u>\$ 8.38</u>	<u>700,248</u>	<u>\$ 7.20</u>	<u>483,542</u>	<u>\$ 6.26</u>

The total intrinsic value of options (difference between price per share as of the exercise date and the exercise price, times the number of options outstanding) exercised during the years ended December 31, 2020, 2019 and 2018 was \$40.2 million, \$8.2 million and \$1.9 million, respectively.

The following table provides data for our stock options that are vested or expected to vest as of December 31, 2020.

<b>Exercisable or expected to vest</b>	
Number outstanding	4,040,890
Weighted-average exercise price	\$ 25.24
Aggregate intrinsic value (in thousands)	\$ 94,400
Weighted-average remaining contractual term (years)	5.46
<b>Exercisable</b>	
Number outstanding	3,230,224
Weighted-average exercise price	\$ 24.17
Aggregate intrinsic value (in thousands)	\$ 78,911
Weighted-average remaining contractual term (years)	4.64

The aggregate intrinsic values in the tables above represent the total pretax intrinsic values (the difference between the closing price of MDC's common stock on the last trading day of fiscal 2020 and the exercise price, multiplied by the number of in-the-money stock option shares) that would have been received by the option holders had all in-the-money outstanding stock options been exercised on December 31, 2020.



The following table summarizes information associated with outstanding and exercisable stock options at December 31, 2020.

				Options Outstanding			Options Exercisable		
Range of Exercise Price				Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price
\$	15.01	-	\$ 20.00	142,620	1.59	\$ 19.77	142,620	1.59	\$ 19.77
\$	20.01	-	\$ 25.00	2,541,293	4.35	23.14	2,541,293	4.35	23.14
\$	25.01	-	\$ 30.00	926,359	7.85	27.16	382,359	6.48	28.06
\$	30.01	-	\$ 35.00	30,618	2.08	32.37	30,618	2.08	32.37
\$	35.01	-	\$ 40.00	400,000	8.59	35.55	133,334	8.59	35.55
Total				4,040,890	5.46	\$ 25.24	3,230,224	4.64	\$ 24.17

Total compensation expense relating to stock options was \$2.9 million, \$1.5 million and \$1.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our recognized tax benefit from this expense for the years ended December 31, 2020, 2019 and 2018 was \$0.0 million, \$0.0 million and \$0.2 million, respectively.

As of December 31, 2020, \$4.9 million of total unrecognized compensation cost related to stock options was expected to be recognized as an expense by the Company in the future over a weighted-average period of approximately 1.9 years.

For the years ended December 31, 2020, 2019 and 2018 the Company received cash from the exercise of stock option awards of \$37.9 million, \$25.3 million and \$9.9 million, respectively. Our realized tax benefit from stock options exercised for the years ended December 31, 2020, 2019 and 2018 was \$7.2 million, \$0.2 million and \$0.4 million, respectively.

*Restricted and Unrestricted Stock Award Activity.* Non-vested restricted stock awards, restated as applicable for stock dividends, at December 31, 2020, 2019 and 2018 and changes during those years were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of year	344,058	\$ 30.54	337,909	\$ 25.61	317,390	\$ 23.89
Granted	241,691	43.12	167,676	33.85	143,214	29.51
Vested	(201,233)	29.80	(156,235)	27.24	(117,404)	25.45
Forfeited	(1,855)	41.18	(5,292)	30.56	(5,292)	28.84
Unvested, end of year	382,661	\$ 38.82	344,058	\$ 30.54	337,909	\$ 25.61

Total compensation expense relating to restricted stock awards was \$8.2 million, \$4.8 million and \$3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our recognized tax benefit from this expense for the years ended December 31, 2020, 2019 and 2018 was \$1.2 million, \$0.7 million and \$0.8 million, respectively.

At December 31, 2020, there was \$6.6 million of unrecognized compensation expense related to non-vested restricted stock awards that is expected to be recognized as an expense by us in the future over a weighted-average period of approximately 1.6 years. The total intrinsic value of unvested restricted stock awards (the closing price of MDC's common stock on the last trading day of fiscal 2020 multiplied by the number of unvested awards) at December 31, 2020 was \$18.6 million. The total intrinsic value of restricted stock which vested during each of the years ended December 31, 2020, 2019 and 2018 was \$8.6 million, \$5.3 million and \$3.2 million, respectively.



**Performance Share Unit Awards.** On August 20, 2020, August 5, 2019, May 23, 2018, June 20, 2017 and July 25, 2016, the Company granted long term performance share unit awards (“PSUs”) to each of the Executive Chairman, CEO and the Chief Financial Officer (“CFO”) under the Company’s 2011 Equity Incentive Plan. The PSUs are earned based upon the Company’s performance, over a period of three years (the “Performance Period”), measured by increasing home sale revenues over a “Base Period.” Each award is conditioned upon the Company achieving an average gross margin from home sales (excluding impairments) of at least fifteen percent (15%) over the Performance Period. Target goals will be earned if the Company’s three year average home sale revenues over the Performance Period (“Performance Revenues”) exceed the home sale revenues over the Base Period (“Base Revenues”) by at least 10% but less than 20%. If Performance Revenues exceed the Base Revenues by at least 5% but less than 10%, 50% of the Target Goals will be earned (“Threshold Goals”). If Performance Revenues exceed the Base Revenues by at least 20%, 200% of the Target Goals will be earned (“Maximum Goals”). For the PSUs granted in 2017 and subsequent, the number of PSUs earned shall be adjusted to be proportional to the partial performance between the Threshold Goals, Target Goals and Maximum Goals. Details for each defined term above for each grant have been provided in the table below.

Date of Award	Performance Period	Base Period	Base Period Revenues	Threshold Goal		Target Goal		Maximum Goal		Fair Value per Share	Maximum Potential Expense to be Recognized *	Maximum Remaining Expense to be Recognized *
				PSUs	Home Sale Revenues	PSUs	Home Sale Revenues	PSUs	Home Sale Revenues			
Jul 25, 2016	July 1, 2016 - June 30, 2019	July 1, 2015 - June 30, 2016	\$1.975 billion	137,781	\$2.074 billion	275,562	\$2.173 billion	551,124	\$2.370 billion	\$ 19.66	\$ 10,834	\$ —
Jun 20, 2017	April 1, 2017 - March 31, 2020	April 1, 2016 - March 31, 2017	\$2.426 billion	144,342	\$2.547 billion	288,684	\$2.669 billion	577,368	\$2.911 billion	\$ 27.83	\$ 16,070	\$ —
May 23, 2018	April 1, 2018 - March 31, 2021	April 1, 2017 - March 31, 2018	\$2.543 billion	145,800	\$2.670 billion	291,600	\$2.797 billion	583,200	\$3.052 billion	\$ 25.57	\$ 14,915	\$ 1,307
Aug 5, 2019	January 1, 2019 - December 31, 2021	January 1, 2018 - December 31, 2018	\$2.982 billion	135,000	\$3.131 billion	270,000	\$3.280 billion	540,000	\$3.578 billion	\$ 32.60	\$ 17,604	\$ 7,340
Aug 20, 2020	January 1, 2020 - December 31, 2022	January 1, 2019 - December 31, 2019	\$3.205 billion	135,000	\$3.366 billion	270,000	\$3.526 billion	540,000	\$3.846 billion	\$ 42.97	\$ 23,205	\$ 23,205

\* Dollars in thousands

In accordance with ASC 718, the PSUs were valued on the date of grant at their fair value. The fair value of these grants was equal to the closing price of MDC stock on the date of grant less the discounted cash flows of expected future dividends over the respective vesting period (as these PSUs do not participate in dividends). The grant date fair value and maximum potential expense if the Maximum Goals were met for these awards has been provided in the table above. ASC 718 does not permit recognition of expense associated with performance-based stock awards until achievement of the performance targets are probable of occurring.

**2016 PSU Grants.** The 2016 PSU awards vested on August 7, 2019 at the Maximum Goals following the achievement of the Maximum Goals and certification by the Compensation Committee that the Maximum Goals had been achieved. For the years ended December 31, 2019 and 2018 the Company recorded share-based award expense of \$1.8 million and \$6.3 million, respectively, related to these awards.

**2017 PSU Grants.** The 2017 PSU awards vested on May 5, 2020 at the Maximum Goals following the achievement of the Maximum Goals and certification by the Compensation Committee that the Maximum Goals had been achieved. For the years ended December 31, 2020, 2019 and 2018 the Company recorded share-based award expense of \$1.4 million, \$11.7 million and \$3.0 million, respectively, related to these awards.

**2018 PSU Grants.** As of December 31, 2020, the Company determined that achievement at the Maximum Goals for these awards was probable. For the years ended December 31, 2020 and 2019 the Company recorded share-based award expense of \$7.3 million and \$6.3 million, respectively, related to these awards. As of December 31, 2018, the Company concluded that achievement of any of the performance metrics had not met the level of probability required to record compensation expense and as such, no expense related to these awards had been recognized as of December 31, 2018.

**2019 PSU Grants.** As of December 31, 2020, the Company determined that achievement at the Maximum Goals for these awards was probable. For the years ended December 31, 2020 the Company recorded share-based award expense of \$10.3 million related to these awards. As of December 31, 2019, the Company concluded that achievement of any of the performance metrics had not met the level of probability required to record compensation expense and as such, no expense related to these awards had been recognized as of December 31, 2019.

**2020 PSU Grants.** For the PSUs granted in August of 2020, the Company concluded that achievement of any of the performance metrics had not met the level of probability required to record compensation expense and, as such, no expense related to these awards has been recognized as of December 31, 2020.

Our employee equity incentive plans permit us to withhold from the total number of shares that otherwise would be released to a restricted stock or performance share unit award recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due. For the years ended December 31, 2020 and 2019, 299,333 and 270,720 shares were withheld resulting in \$9.1 million and \$10.0 million of income tax withholding being remitted on behalf of the employees. There were no shares withheld for the year ended December 31, 2018.

### 23. Results of Quarterly Operations (Unaudited)

	Quarter			
	First	Second	Third	Fourth
(Dollars in thousands, except per share amounts)				
<b>2020</b>				
Total revenue	\$ 718,971	\$ 919,722	\$ 1,037,352	\$ 1,225,166
Home sales revenue	\$ 697,085	\$ 886,758	\$ 1,000,549	\$ 1,180,987
Asset impairments	\$ —	\$ —	\$ —	\$ —
Gross margin from home sales (including impairments)	19.9 %	20.2 %	20.5 %	22.0 %
Homebuilding selling, general and administrative expenses	\$ 89,321	\$ 92,316	\$ 103,632	\$ 117,949
Income before income taxes	\$ 48,562	\$ 111,638	\$ 126,018	\$ 171,294
Net income	\$ 36,760	\$ 84,396	\$ 98,938	\$ 147,488
Earnings per share:				
Basic	\$ 0.58	\$ 1.33	\$ 1.54	\$ 2.27
Diluted	\$ 0.56	\$ 1.31	\$ 1.49	\$ 2.19
<b>2019</b>				
Total revenue	\$ 664,682	\$ 751,441	\$ 772,662	\$ 1,104,468
Home sales revenue	\$ 647,278	\$ 732,844	\$ 750,274	\$ 1,074,852
Asset impairments	\$ (610)	\$ —	\$ —	\$ (325)
Gross margin from home sales (including impairments)	18.9 %	19.5 %	18.8 %	18.5 %
Homebuilding selling, general and administrative expenses	\$ 82,261	\$ 82,712	\$ 92,716	\$ 105,101
Income before income taxes	\$ 55,606	\$ 74,331	\$ 62,806	\$ 112,246
Net income	\$ 40,550	\$ 54,593	\$ 50,580	\$ 92,589
Earnings per share:				
Basic	\$ 0.66	\$ 0.88	\$ 0.81	\$ 1.48
Diluted	\$ 0.64	\$ 0.86	\$ 0.79	\$ 1.42

## 24. Subsequent Events

On January 11, 2021, we completed an offering of \$350.0 million of 2.500% senior notes (2.500% Notes) due January 2031 at 100% of par. The 2.500% Notes, which pay interest semi-annually in arrears on January 15 and July 15 of each year, are general unsecured obligations of MDC and rank equally and ratably with our other general unsecured and unsubordinated indebtedness. We received proceeds of \$347.7 million, net of underwriting discount of \$2.3 million. We will use the proceeds of the offering for general corporate purposes.

On January 25, 2021, MDC's board of directors approved an 8% stock dividend. The stock dividend will be distributed on March 17, 2021 to shareholders of record on March 3, 2021, with a brokers' cut-off date of March 10, 2021, and will be in the form of one additional share of MDC common stock for each 12.5 shares owned by shareholders on the record date. Cash will be paid in lieu of fractional shares based on the closing price of MDC's common stock on the record date.

The following table shows our pro forma basic and diluted EPS calculations on a post stock dividend basis:

	Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands, except per share amounts)		
	(Unaudited)		
<b>Numerator</b>			
Net income	\$ 367,582	\$ 238,312	\$ 210,780
Less: distributed earnings allocated to participating securities	(583)	(466)	(413)
Less: undistributed earnings allocated to participating securities	(1,748)	(1,020)	(846)
Net income attributable to common stockholders (numerator for basic earnings per share)	365,251	236,826	209,521
Add back: undistributed earnings allocated to participating securities	1,748	1,020	846
Less: undistributed earnings reallocated to participating securities	(1,704)	(992)	(833)
Numerator for diluted earnings per share under two class method	\$ 365,295	\$ 236,854	\$ 209,534
<b>Denominator</b>			
Weighted-average common shares outstanding	68,531,856	66,546,347	65,416,813
Add: dilutive effect of stock options	1,792,006	1,876,981	1,062,802
Add: dilutive effect of performance share units	352,719	375,552	297,607
Denominator for diluted earnings per share under two class method	70,676,581	68,798,880	66,777,222
Basic Earnings Per Common Share	\$ 5.33	\$ 3.56	\$ 3.20
Diluted Earnings Per Common Share	\$ 5.17	\$ 3.44	\$ 3.14

## 25. Supplemental Guarantor Information

Our senior notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by the following subsidiaries (collectively, the "Guarantor Subsidiaries"), which are 100%-owned subsidiaries of the Company.

- M.D.C. Land Corporation
- RAH of Florida, Inc.
- Richmond American Construction, Inc.
- Richmond American Homes of Arizona, Inc.
- Richmond American Homes of Colorado, Inc.
- Richmond American Homes of Florida, LP
- Richmond American Homes of Idaho, Inc. (formerly known as Richmond American Homes of Illinois, Inc.)
- Richmond American Homes of Maryland, Inc.
- Richmond American Homes of Nevada, Inc.
- Richmond American Homes of New Jersey, Inc.
- Richmond American Homes of Oregon, Inc.
- Richmond American Homes of Pennsylvania, Inc.
- Richmond American Homes of Utah, Inc.
- Richmond American Homes of Virginia, Inc.
- Richmond American Homes of Washington, Inc.

The senior note indentures do not provide for a suspension of the guarantees, but do provide that any Guarantor may be released from its guarantee so long as (1) no default or event of default exists or would result from release of such guarantee, (2) the Guarantor being released has consolidated net worth of less than 5% of the Company's consolidated net worth as of the end of the most recent fiscal quarter, (3) the Guarantors released from their guarantees in any year-end period comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of the Company's consolidated net worth as of the end of the most recent fiscal quarter, (4) such release would not have a material adverse effect on the homebuilding business of the Company and its subsidiaries and (5) the Guarantor is released from its guarantee(s) under all Specified Indebtedness (other than by reason of payment under its guarantee of Specified Indebtedness). Upon delivery of an officers' certificate and an opinion of counsel stating that all conditions precedent provided for in the indenture relating to such transactions have been complied with and the release is authorized, the guarantee will be automatically and unconditionally released. "Specified Indebtedness" means indebtedness under the senior notes, the Company's Indenture dated as of December 3, 2002, the Revolving Credit Facility, and any refinancing, extension, renewal or replacement of any of the foregoing.

As the combined assets, liabilities and results of operations of M.D.C. Holdings, Inc. and the Guarantor Subsidiaries (the "Obligor Group") are not materially different from those in the homebuilding section of our consolidated balance sheets and consolidated statements of operations and comprehensive income, separate summarized financial information of the Obligor Group has not been included. As of December 31, 2020 and 2019 amounts due to non-guarantor subsidiaries from the Obligor Group totaled \$65.8 million and \$24.2 million, respectively.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 9A. *Controls and Procedures.***

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed under the supervision, and with the participation, of our management, including the principal executive officer and the principal financial officer. Based on that evaluation, our management, including the principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, management concluded that our internal control over financial reporting was effective at December 31, 2020

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on our internal control over financial reporting, which is included herein.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of  
M.D.C. Holdings, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited M.D.C. Holdings, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control —Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, M.D.C. Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 2, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Denver, Colorado

February 2, 2021

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Information not disclosed below that is required by this Item is incorporated herein by reference, when filed, from our proxy statement (the “Proxy Statement”) for the Annual Meeting of Shareholders to be held on or about April 26, 2021, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Exchange Act. Please see the Table of Contents to the Proxy Statement.

We will provide to any shareholders or other person without charge, upon request, a copy of our Corporate Code of Conduct, Corporate Governance Guidelines, code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (collectively “senior financial officers”) and the charters for our Audit Committee, Compensation Committee, Legal Committee and Corporate Governance/Nominating Committee. You may obtain these documents on our website at [www.mdcholdings.com](http://www.mdcholdings.com), under our Investor Relations section or by contacting our Investor Relations department at 1-866-424-3395. Our intention is to post on our website any amendments to or waivers from our code of ethics applicable to our senior financial officers if such disclosure is required.

**Item 11. Executive Compensation.**

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from our Proxy Statement. Please see the Table of Contents to the Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from our Proxy Statement. Please see the Table of Contents to the Proxy Statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from our Proxy Statement. Please see the Table of Contents to the Proxy Statement.

**Item 14. Principal Accountant Fees and Services.**

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from our Proxy Statement. Please see the Table of Contents to the Proxy Statement.

**PART IV****Item 15. Exhibits and Financial Statement Schedules.****(a)(1) Financial Statements.**

The following Consolidated Financial Statements of the Company and its subsidiaries are included in Part II, Item 8.

	<u>Page</u>
M.D.C. Holdings, Inc. and Subsidiaries	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets at December 31, 2020 and December 31, 2019</a>	F-4
<a href="#">Consolidated Statements of Operations and Comprehensive Income for each of the Three Years in the Period Ended December 31, 2020</a>	F-5
<a href="#">Consolidated Statements of Stockholders' Equity for each of the Three Years in the Period Ended December 31, 2020</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 2020</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8

**(a)(2) Financial Statement Schedules.**

All schedules are omitted because they are not applicable, not material, not required or the required information is included in the applicable Consolidated Financial Statements or notes thereto.

**(a)(3) Exhibits.****INDEX TO EXHIBITS**

Exhibit Number	Description
3.1	<a href="#">Certificate of Amendment to the Certificate of Incorporation of M.D.C. Holdings, Inc. (hereinafter sometimes referred to as "MDC", the "Company" or the "Registrant"), filed with the Delaware Secretary of State on April 27, 2006, and Certificate of Incorporation, dated May 17, 1985, as amended (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q dated March 31, 2006).</a> *
3.2	<a href="#">Amendment to the Bylaws of MDC, October 26, 2020 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed October 29, 2020).</a> *
3.3	<a href="#">Bylaws of MDC, as amended.</a>
4.1	<a href="#">Indenture dated as of December 3, 2002, by and among MDC and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 of the Company's Form S-3/A filed September 1, 2004).</a> *
4.2	<a href="#">Supplemental Indenture (6.000% Senior Notes due 2043), dated as of January 10, 2013, among the Company, the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed January 10, 2013).</a> *
4.3	<a href="#">Supplemental Indenture (5.500% Senior Notes due 2024), dated as of January 15, 2014, among the Company, the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed January 15, 2014).</a> *
4.4	<a href="#">Supplemental Indenture (3.850% Senior Notes due 2030), dated as of January 9, 2020, among the Company, the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed January 9, 2020).</a> *
4.5	<a href="#">Supplemental Indenture (2.500% Senior Notes due 2031), dated as of January 11, 2021, among the Company, the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed January 11, 2021).</a> *
4.6	<a href="#">Description of Registrant's Securities.</a>



- 10.1 [Credit Agreement by and among M.D.C. Holding, Inc., U.S. Bank National Association, as designated agent and co-administrative agent, Citibank, N.A., as co-administrative agent, and the other Lenders identified therein, dated as of December 13, 2013 \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 16, 2013\).](#)\*
- 10.2 [First Amendment to Credit Agreement and Increasing Lenders Supplement among M.D.C. Holding, Inc., U.S. Bank National Association, as designated agent, and the other Lenders identified therein, dated as of December 17, 2014 \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 17, 2014\).](#)\*
- 10.3 [Second Amendment to Credit Agreement, dated as of December 18, 2015 \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 21, 2015\).](#)\*
- 10.4 [Third Amendment to Credit Agreement, dated as of September 29, 2017 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed October 4, 2017\).](#)\*
- 10.5 [Fourth Amendment to Credit Agreement, dated as of November 1, 2018 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 1, 2018\).](#)\*
- 10.6 [Fifth Amendment to Credit Agreement, dated as of December 28, 2020 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed December 29, 2020\).](#)\*
- 10.7 [Amended and Restated Master Repurchase Agreement among HomeAmerican Mortgage Corporation and U.S. Bank National Association as Agent and a Buyer, dated as of September 16, 2016 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed September 19, 2016\).](#)\*
- 10.8 [First Amendment to Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of August 10, 2017 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 11, 2017\).](#)\*
- 10.9 [Second Amendment to Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of August 9, 2018 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 9, 2018\).](#)\*
- 10.10 [Third Amendment to Amended and Restated Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of May 23, 2019 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 24, 2019\).](#)\*
- 10.11 [Fourth Amendment to Amended and Restated Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of May 21, 2020 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 22, 2020\).](#)\*
- 10.12 [Fifth Amendment to Amended and Restated Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of September 24, 2020 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed September 25, 2020\).](#)\*
- 10.13 [Custody Agreement by and between HomeAmerican Mortgage Corporation and U.S. Bank National Association as Agent and Custodian, dated as of November 12, 2008 \(incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed November 17, 2008\).](#)\*
- 10.14 [M.D.C. Holdings, Inc. 2011 Equity Incentive Plan, effective April 27, 2011 \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 29, 2011\).](#)\*
- 10.15 [First Amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed March 19, 2013\).](#)\*
- 10.16 [Second Amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 24, 2015\).](#)\*
- 10.17 [Third Amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 25, 2017\).](#)\*
- 10.18 [Fourth Amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 1, 2019\).](#)\*
- 10.19 [M.D.C. Holdings, Inc. 2011 Equity Incentive Plan, as amended \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed May 1, 2019\).](#)\*
- 10.20 [Form of 2011 Stock Option Agreement \(2011 Equity Incentive Plan\) \(incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q dated June 30, 2011\).](#)\*

- 10.21 [Form of 2011 Restricted Stock Agreement \(2011 Equity Incentive Plan\) \(incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q dated June 30, 2011\).](#) \*
- 10.22 [Form of 2015 Restricted Stock Agreement \(2011 Equity Incentive Plan\) \(incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K dated December 31, 2015\).](#) \*
- 10.23 [Form of Executive Officer Stock Option Agreement under the 2011 Equity Incentive Plan \(incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed March 9, 2012\).](#) \*
- 10.24 [Form of Executive Officer Stock Option Agreement under the 2011 Equity Incentive Plan \(May 23, 2018 grants\) \(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q dated June 30, 2018\).](#) \*
- 10.25 [Restricted Stock Agreement Amendment \(Executive Officers\) under the 2011 Equity Incentive Plan, dated as of February 6, 2019 \(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q dated March 31, 2019\).](#) \*
- 10.26 [Stock Option Agreement Amendment \(Executive Officers\) under the 2011 Equity Incentive Plan, dated as of February 6, 2019 \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated March 31, 2019\).](#) \*
- 10.27 [Form of Executive Officer Restricted Stock Agreement under the 2011 Equity Incentive Plan, adopted as of March 18, 2019 \(incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q dated March 31, 2019\).](#) \*
- 10.28 [Form of Executive Officer Stock Option Agreement under the 2011 Equity Incentive Plan, adopted as of March 18, 2019 \(incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q dated March 31, 2019\).](#) \*
- 10.29 [Form of Amended and Restated Executive Officer Stock Option Agreement \(Messrs. Mizel and Mandarich\).](#)
- 10.30 [Form of Amended and Restated Executive Officer Restricted Stock Agreement \(Messrs. Mizel and Mandarich\).](#)
- 10.31 [Form of Amended and Restated Performance Share Unit Grant Agreement \(executives with employment agreements\) \(2011 Equity Incentive Plan\).](#)
- 10.32 [Form of Amended and Restated Performance Share Unit Grant Agreement \(executives without employment agreements\) \(2011 Equity Incentive Plan\).](#)
- 10.33 [M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors effective April 27, 2011 \(incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed April 29, 2011\).](#) \*
- 10.34 [First Amendment to the M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed March 24, 2015\).](#) \*
- 10.35 [Second Amendment to the M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 1, 2016\).](#) \*
- 10.36 [Form of Stock Option Agreement \(2011 Stock Option Plan for Non-Employee Directors\) \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated June 30, 2011\).](#) \*
- 10.37 [Form of Restricted Stock Award Agreement \(2011 Stock Option Plan for Non-Employee Directors\) \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated June 30, 2016\).](#) \*
- 10.38 [M.D.C. Holdings, Inc. 2020 Equity Plan for Non-Employee Directors \(as amended and restated\) \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 22, 2020\).](#) \*
- 10.39 [Form of Stock Option Agreement \(2020 Equity Plan for Non-Employee Directors\) \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated June 30, 2020\).](#) \*
- 10.40 [Form of Restricted Stock Award Agreement \(2020 Equity Plan for Non-Employee Directors\) \(incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q dated June 30, 2020\).](#) \*
- 10.41 [Form of Indemnification Agreement entered into between the Company and members of its Board of Directors \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed October 26, 2006\).](#) \*

10.42	<a href="#">Form of Indemnification Agreement entered into between the Company and certain of its officers (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed October 26, 2006).</a> *
10.43	<a href="#">M.D.C. Holdings, Inc. 2018 Executive Officer Performance-Based Compensation Plan (amended September 4, 2020) (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated September 30, 2020).</a> *
10.44	<a href="#">Amendment to the M.D.C. Holdings, Inc. 2018 Executive Officer Performance-Based Compensation Plan (amended December 10, 2020).</a>
10.45	<a href="#">Employment Agreement dated as of October 26, 2020, between Larry A. Mizel and the Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed October 29, 2020).</a> *
10.46	<a href="#">Employment Agreement dated as of October 26, 2020, between David D. Mandarich, and the Company (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed October 29, 2020).</a> *
10.47	<a href="#">Lease Agreement among MDC, Richmond American Homes of Colorado, Inc. and Larry A. Mizel, August 2, 2007 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q dated June 30, 2007).</a> *
10.48	<a href="#">Lease Agreement among MDC, Richmond American Homes of Colorado, Inc. and David D. Mandarich, August 2, 2007 (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q dated June 30, 2007).</a> *
10.49	<a href="#">Change in Control Agreement between the Company and Robert N. Martin, dated as of May 23, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 19, 2015).</a> *
10.50	<a href="#">Change in Control Agreement between the Company and Rebecca B. Givens, dated as of July 15, 2020.</a>
10.51	<a href="#">Form of Change in Control Agreement between the Company and certain employees of M.D.C. Holdings, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed March 27, 1998).</a> *
10.52	<a href="#">Independent Contractor Agreement between Mizel Design and Decorating Company and the Company effective as of January 1, 2005 (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K dated December 31, 2004).</a> *
10.53	<a href="#">Sublease agreement between MDC and CVentures, Inc., executed January 30, 2017 (incorporated by reference to Exhibit 10.60 of the Company's Annual Report on Form 10-K dated December 31, 2016).</a> *
21	<a href="#">Subsidiaries of the Company.</a>
22	<a href="#">Subsidiary Guarantors</a>
23	<a href="#">Consent of Ernst &amp; Young LLP</a>
31.1	<a href="#">Certification of principal executive officer required by 17 CFR 240.13a-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of principal financial officer required by 17 CFR 240.13a-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of principal executive officer required by 17 CFR 240.13a-14(b), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of principal financial officer required by 17 CFR 240.13a-14(b), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	The following financial statements, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets at December 31, 2020 and December 31, 2019, (ii) Consolidated Statements of Operations for each of the three years in the period ended December 31, 2020, (iii) Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2020, (iv) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2020; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

\*Incorporated by reference.

**Item 16. *Form 10-K Summary.***

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

M.D.C. HOLDINGS, INC.  
(Registrant)

Date: February 2, 2021

By: /s/ Robert N. Martin  
Robert N. Martin  
*Senior Vice President, Chief Financial Officer (principal financial officer and duly authorized officer)*

Date: February 2, 2021

By: /s/ Staci M. Woolsey  
Staci M. Woolsey  
*Vice President, Controller and Chief Accounting Officer (principal accounting officer and duly authorized officer)*

**POWER OF ATTORNEY**

KNOW ALL BY THESE PRESENTS, that the undersigned officers and/or directors of the Registrant, by virtue of their signatures to this report, appearing below, hereby constitute and appoint Larry A. Mizel and David D. Mandarich, or any one of them, with full power of substitution, as attorneys-in-fact in their names, places and steads to execute any and all amendments to this report in the capacities set forth opposite their names and hereby ratify all that said attorneys-in-fact do by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Larry A. Mizel</u> Larry A. Mizel	Executive Chairman <i>(principal executive officer)</i>	February 2, 2021
<u>/s/ David D. Mandarich</u> David D. Mandarich	Director, President and Chief Executive Officer	February 2, 2021
<u>/s/ Robert N. Martin</u> Robert N. Martin	Senior Vice President, Chief Financial Officer <i>(principal financial officer)</i>	February 2, 2021
<u>/s/ Staci M. Woolsey</u> Staci M. Woolsey	Vice President, Controller and Chief Accounting Officer <i>(principal accounting officer)</i>	February 2, 2021
<u>/s/ Raymond T. Baker</u> Raymond T. Baker	Director	February 2, 2021
<u>/s/ Michael A. Berman</u> Michael A. Berman	Director	February 2, 2021
<u>/s/ David E. Blackford</u> David E. Blackford	Director	February 2, 2021
<u>/s/ Herbert T. Buchwald</u> Herbert T. Buchwald	Director	February 2, 2021
<u>/s/ Leslie B. Fox</u> Leslie B. Fox	Director	February 2, 2021
<u>/s/ Courtney L. Mizel</u> Courtney L. Mizel	Director	February 2, 2021
<u>/s/ Paris G. Reece III</u> Paris G. Reece III	Director	February 2, 2021
<u>/s/ David Siegel</u> David Siegel	Director	February 2, 2021

BY-LAWS  
OF  
M.D.C. HOLDINGS, INC.  
(hereinafter called the "Corporation")  
(as amended, October 26, 2020)

ARTICLE I  
OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II  
MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman, if there be one, or (ii) the President, (iii) any Vice-President, if there be one or (iv) the Secretary and shall be called by any such officer at the request in writing of a majority of the Board of Directors or the holders of a majority of the outstanding voting shares. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of one-third of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present

or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

**Section 5. Voting.** Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

**Section 6. Proper Business at Stockholder Meetings.** At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before such meeting. To be properly brought before a meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 75 days' notice or prior public disclosure of the date of such meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business. No business shall be conducted at any meeting of stockholders except in accordance with the procedures set forth in this Section 6. The chairman of a meeting shall, if the facts warrant, determine and declare to the meeting that such business was not properly brought before the meeting in accordance with these provisions, and, if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, any list required by the General Corporation Law of the state of Delaware or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

### ARTICLE III DIRECTORS

Section 1. Number of Directors. The Board of Directors shall consist of not less than three nor more than fifteen members, the exact number of which shall initially be fixed by the Incorporator and thereafter from time to time by the Board of Directors in the manner prescribed in the Certificate of Incorporation. Any director may resign at any time upon notice to the Corporation. Directors need not be stockholders.

Section 2. Nomination Procedures. Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors at any meeting of stockholders. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section 2. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to, or mailed and received at, the principal offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 75 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth in writing (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors pursuant to Rule 14(a) under the Securities Exchange Act of 1934 (the "Act") and any other applicable laws or rules or regulations of any governmental authority or of any national securities exchange or similar body overseeing any trading market on which shares of the Corporation are traded, and (b) as to the stockholder giving the notice (i) the name and record address of stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by the stockholder. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.



Section 3. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director.

Section 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or any three directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 9. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate

one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 10. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 11. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

#### ARTICLE IV OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice-Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the

Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice-President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors may be an Executive Chairman or a non-executive Chairman as determined by the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 5. President. The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the President. In the absence or disability of the Chairman of the

Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. If there be no Chairman of the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 6. Vice-Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice-President or the Vice-Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice-President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice-President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and ether documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of

Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 9. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice-President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice-President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

## ARTICLE V STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice-President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## ARTICLE VI NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same

shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE VII GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

## ARTICLE VIII INDEMNIFICATION

Section 1. Power to Indemnify. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, and by any other applicable law, the Corporation shall indemnify any director or officer who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, investigation or proceeding, and any appeal thereof, whether civil, criminal, administrative or investigative, including actions by or in the right of the Corporation (a "Claim"), by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, trustee or agent (an "Agent") of another corporation, partnership, joint venture, trust or other enterprise, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the director or officer ("Expenses") in connection with such Claim. Other employees, trustees and

agents of the Corporation shall be indemnified upon such terms and conditions as the Board of Directors deems appropriate.

Section 2. Expenses Payable in Advance. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, Expenses incurred by an officer or director in defending or investigating a Claim shall be paid by the Corporation in advance of the final disposition of such Claim. Such Expenses incurred by other employees, trustees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The right to indemnification or advances granted by this Article VIII shall be enforceable by the officer or director in any court of competent jurisdiction. The officer's or director's Expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such proceedings shall also be indemnified by the Corporation.

Section 3. Non-exclusivity. The indemnification and advancement of Expenses provided by, or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of Expenses may be entitled under any law, By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in the officer's, director's or Agent's official capacity and as to action in another capacity while holding such office. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 4. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was an officer, director or Agent of the Corporation, or is or was serving at the request of the Corporation as an Agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the officer, director or Agent and incurred by the officer, director or Agent in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify the officer, director or Agent against such liability under the provisions of this Article VIII.

Section 5. Survival. The indemnification and advancement of Expenses provided by, or granted pursuant this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an officer or director of the Corporation or an Agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6. Meaning of "Corporation" for Purposes of Article VIII. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or



agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

## ARTICLE IX AMENDMENTS

Section 1. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of stockholders or Board of Directors as the case may be. All such amendments must be approved by either the holders of a majority of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, M.D.C. Holdings, Inc. (the "Company") has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our common stock, \$.01 par value per share (the "Common Stock") and (2) our 6.000% Senior Notes due January 2043.

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**Description of Common Stock**

*The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Certificate of Incorporation, as amended (the "charter") and our Bylaws, as amended (the "bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read our charter, our bylaws and the applicable provisions of Delaware General Corporation Law for additional information. Our Common Stock is traded on The New York Stock Exchange under the "MDC" symbol.*

The total number of shares of capital stock which the Company has the ability to issue is 275,000,000 shares consisting of 250,000,000 shares of Common Stock and 25,000,000 shares of preferred stock, \$.01 par value. The term "capital stock" means all capital stock of the Company. authorized to be issued from time to time under our charter, and the term "voting stock" shall mean all capital stock which by its terms may generally be voted on matters submitted to stockholders of the Company.

Our Board of Directors is divided into three classes, each class consisting, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors.

Holders of our Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take shareholder action, unless a greater vote is required by law. The holders are not entitled to cumulative voting in the election of directors. Directors are elected by a plurality of the shares represented in person or by proxy at the meeting and entitled to vote.

Holders of Common Stock have no preemptive rights. They are entitled to such dividends as may be declared by our board of directors out of funds legally available for such purpose. The Common Stock is not entitled to any sinking fund, redemption or conversion provisions. On our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in our net assets remaining after the payment of all creditors and liquidation preferences of preferred stock, if any. The outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable.

The transfer agent and registrar for the Common Stock is Continental Stock Transfer & Trust Company.

The following are provisions in our charter or bylaws:

- Our charter prohibits shareholder action by written consent.
- Our charter provides that the shareholders shall not have the right to remove a director except (i) for cause upon the affirmative vote of the holders of a majority of all outstanding shares of voting stock or (ii) without cause upon the affirmative vote of the holders of eighty percent (80%) of all outstanding shares of voting stock.

- Our charter provides that any vacancy on the Board of Directors or any newly created directorship may be filled by the remaining directors then in office, though they may constitute less than a quorum.
- Our bylaws provide that special meetings of the shareholders may only be called by either (i) the Chairman or (ii) the President, (iii) any Vice President or (iv) the Secretary and shall be called by any such officer at the request in writing of a majority of the Board of Directors or the holders of a majority of the outstanding voting shares.
- Our bylaws establish an advance written notice procedure for shareholders seeking to propose matters to be acted upon at shareholders' meetings or to nominate persons for election to the Board of Directors.
- Our charter provides that certain business combinations require the affirmative vote of not less than eighty percent (80%) of all the then outstanding shares of voting stock.
- Our charter requires, in certain circumstances, the affirmative vote of not less than eighty percent (80%) of all the then outstanding shares of voting stock to amend, repeal or adopt certain provisions of the charter.
- Our charter authorizes our Board of Directors to fix, with respect to a particular class or series of preferred stock, the voting powers of stock of such class or series, and the designations, preferences and relative, participating, optional and other special rights and the qualifications, limitations and restrictions of such class or series.

The foregoing provisions may have an effect of delaying, deferring or preventing a change in control of our company.

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### **Description of 6.000% Senior Notes due 2043**

*The following description of our 6% Senior Notes due 2043 (the "Notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Indenture, dated as of December 3, 2002 (the "Base Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the Supplemental Indenture, dated as of January 10, 2013 (the "Supplemental Indenture") (the Base Indenture, as supplemented by the Supplemental Indenture, the "Indenture"), which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. The Notes are traded on The New York Stock Exchange under the bond trading symbol of "552676AQ1".*

*Definitions of certain terms are set forth under "Certain Definitions" and throughout this description. Capitalized terms that are used but not otherwise defined herein have the meanings assigned to them in the Indenture, and those definitions are incorporated herein by reference. We encourage you to read the above referenced Indenture for additional information.*

### **General**

The Notes were issued under the Indenture among the Company, the Guarantors and the Trustee.

## Principal, Maturity and Interest

The Indenture does not limit the amount of debt securities that we may issue. We may issue debt securities under the Indenture from time to time in one or more series. The Notes will constitute a separate series of debt securities under the Indenture and will therefore vote together as a single class for purposes of determining whether holders of the requisite percentage in principal amount thereof have taken actions or exercised rights they are entitled to take or exercise under the Indenture.

The Notes will mature on January 15, 2043. \$500,000,000 aggregate principal amount of Notes were issued, but we may issue additional Notes at any time on the same terms and conditions and with the same or different CUSIP number as the Notes. Interest on the Notes accrues from January 10, 2013, at a rate of 6.000% per annum, and is computed on the basis of a 360-day year of twelve 30-day months and is payable semi-annually in arrears on each January 15 and July 15 (each an “*Interest Payment Date*”), commencing on July 15, 2013. We will pay interest to the persons in whose names the Notes are registered at the close of business on January 1 or July 1, as the case may be, before any Interest Payment Date.

The Notes are unsecured and unsubordinated obligations of the Company and rank equally and ratably with our existing and future unsecured and unsubordinated indebtedness.

We conduct our operations through our subsidiaries and, therefore, we are primarily dependent on the earnings and cash flows of our subsidiaries to meet our debt service obligations.

Any right that we have or that our creditors have to participate in the assets of any of our subsidiaries upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary’s creditors, including trade creditors. Accordingly, the Notes will also be effectively subordinated to the creditors of our subsidiaries. The Notes will, however, have the benefit of the Guarantees from the Guarantors, which consist of certain of our homebuilding subsidiaries. The Guarantees from the Guarantors, however, are unsecured and, accordingly, will be effectively subordinated to the secured debt of the Guarantors. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available therefor, whether by dividends, loans or other payments, other than as expressly provided in the Guarantees. The payment of dividends and the making of loans and advances to us by our subsidiaries are subject to contractual, statutory or regulatory restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business considerations.

We expect that payments of principal, premium, if any, and interest to owners of beneficial interests in Notes held in global form will be made in accordance with the procedures of The Depository Trust Company (“*DTC*”) and its participants in effect from time to time. DTC will act as the Depositary for the global Notes.

The Notes will not be entitled to the benefit of any sinking fund or mandatory redemption provisions.

The Notes are issued only in fully registered form without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The principal of, premium, if any, and interest on the Notes will be payable, and, subject to the restrictions on transfer described herein, the Notes may be surrendered for registration of transfer or exchange, at the office or agency maintained by us for that purpose in the Borough of Manhattan, The City of New York; *provided* that payments of interest may be made at our option by check mailed to the address of the persons entitled thereto or by wire transfer to an account maintained by the payee with a bank located in the United States. The office or agency initially maintained by us for the foregoing purposes shall be the office of the Trustee. No service charge will be made for any registration of transfer or exchange of the Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection herewith.

If any Interest Payment Date or maturity date of the Notes is not a business day at any place of payment, then payment of principal, premium, if any, and interest need not be made at such place of payment on that date but

may be made on the next succeeding business day at that place of payment, and no interest will accrue on the amount payable for the period from and after such Interest Payment Date or maturity date, as the case may be.

The Indenture does not limit the amount of indebtedness that we or our subsidiaries may issue. The Indenture does not contain covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction, change in credit rating or other similar occurrence.

We expect that interests in the global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in these interests will therefore be required by DTC to settle in immediately available funds.

### **Interest Rate Adjustment Following A Change of Control**

If a Change of Control occurs and within 60 days thereafter all three of the Ratings Agencies have less than Investment Grade debt ratings assigned to the Notes, whether as a result of a downgrade or otherwise, the per annum interest rate on the Notes will increase from the interest rate payable on the Notes immediately before the Change of Control. The interest rate will increase by 0.25% for each rating level below Investment Grade by each of the two Rating Agencies with the lowest ratings (i.e., if two Rating Agencies are two levels below Investment Grade and the third Rating Agency is one level below Investment Grade, the interest rate increase will be 1.00% per annum). In the event that only two Rating Agencies have debt ratings assigned to the Notes, those two debt ratings will be used to determine any interest rate increase. In the event that only one Rating Agency has a debt rating assigned to the Notes, the interest rate increase will be two times 0.25% for each rating level below Investment Grade by the Rating Agency that has a debt rating assigned to the Notes. In the event that no Rating Agency has a debt rating assigned to the Notes, the interest rate increase will be 2.00% per annum. Any downgrade of the ratings assigned to the Notes that occurs outside of the 60 day period will not alter the per annum interest rate.

In no event shall: (1) the total increase in the interest rate on the Notes exceed 2.00% per annum above the interest rate payable on the Notes on the date of their initial issuance; or (2) the interest rate increase unless the debt ratings on the Notes by all Rating Agencies that have debt ratings assigned to the Notes are below Investment Grade within 60 days after the Change of Control.

If at any time after the interest rate on the Notes has been adjusted upward pursuant to this provision as a result of a Rating Agency rating the Notes below Investment Grade, that Rating Agency (or a replacement rating agency selected by us under the circumstance set forth in, and in accordance with, the definition of "Rating Agency") thereafter increases its rating with respect to the Notes, the per annum interest rate on the Notes will decrease by 0.25% per annum (or, if the debt rating for only one Rating Agency was used to determine the interest rate increase pursuant to the fourth sentence of the first paragraph of this "Interest Rate Adjustment Following a Change of Control" section, two times 0.25% per annum) for each level of improvement in the rating of the Notes by such Rating Agency; provided that the decrease in interest rate resulting therefrom will not exceed the aggregate percentage increase in the interest rate that resulted from the prior lower rating by such Rating Agency. In no event will the interest rate on the Notes ever be less than the interest rate payable on the Notes on the date of their initial issuance.

Any interest rate change described above will take effect as of the first day of the interest period for which the next interest payment will be made.

The interest rate on the Notes will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by any Rating Agency) if all of the Rating Agencies subsequently increase their rating of the Notes to the following levels at the same time (Moody's: A3; S&P: A-; Fitch A-; or the equivalent if with respect to any substitute rating agency) or higher.

### **Guarantees**

Payment of principal of, premium, if any, and interest on the Notes will be guaranteed fully and unconditionally, jointly and severally, by certain of our homebuilding subsidiaries. Each Guarantee will be an

unsecured senior obligation of the Guarantor issuing such Guarantee, ranking equal in right of payment with all of such Guarantor's existing and future unsecured and unsubordinated indebtedness.

The Indenture provides that, in the event any Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction, the liability of the Guarantor under such Guarantee shall be reduced to the maximum amount, after giving effect to all other contingent and other liabilities of such Guarantor, permissible under applicable fraudulent conveyance or similar law.

The Indenture provides that any subsidiary of the Company that provides a guarantee of any Specified Indebtedness, other than Finance Subsidiaries, will guarantee the Notes. The Indenture provides that any Guarantor may be released from its Guarantee so long as (1) no default or Event of Default exists or would result from release of such Guarantee, (2) the Guarantor being released has Consolidated Net Worth of less than 5% of the Company's Consolidated Net Worth as of the end of the most recent fiscal quarter, (3) the Guarantors released from their Guarantees in any year-end period comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit us to cure a default) of the Company's Consolidated Net Worth as of the end of the most recent fiscal quarter, (4) such release would not have a material adverse effect on the homebuilding business of the Company and its subsidiaries and (5) the Guarantor is released from its guarantee(s) under all Specified Indebtedness (other than by reason of payment under its guarantee of Specified Indebtedness).

By reason of the foregoing, if the Guarantors are released under their guarantees of our other Specified Indebtedness, the Guarantors will also be released under their Guarantees of the Notes and the other notes issued under the 2002 Indenture.

See "Risk Factors—Risks Relating to the Notes—The notes will be unsecured and effectively subordinated to our secured indebtedness and structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes" and "— Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors of the notes."

### **Optional Redemption**

We may, at our option, redeem the Notes in whole at any time or in part from time to time, as set forth below on at least 30 but not more than 60 days' prior notice.

If the Notes are redeemed prior to the date that is three months prior to the maturity date for the Notes, the redemption price for the Notes to be redeemed will equal the greater of the following amounts:

- 100% of their principal amount, and
- the present value of the Remaining Scheduled Payments on the Notes being redeemed on the redemption date, discounted to the redemption date, on a semi-annual basis, at the Treasury Rate plus 45 basis points (0.450%),

plus, in each case, accrued and unpaid interest on the Notes to the redemption date.

If the Notes are redeemed on or after the date that is three months prior to the maturity date for the Notes, the redemption price for the Notes to be redeemed will equal 100% of the principal amount of such Notes, plus accrued and unpaid interest to the redemption date. In determining the redemption price and accrued interest, interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

If money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed is deposited with the Trustee on or before the redemption date, on and after the redemption date interest will cease to accrue on the Notes (or such portions thereof) called for redemption and the Notes will cease to be outstanding.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before

the redemption date, we will deposit with a paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by lot by DTC, in the case of Notes represented by a global security.

### **Certain Covenants**

*Restrictions on Secured Debt.* The Indenture provides that the Company will not, and will not cause or permit a Restricted Subsidiary (other than any Finance Subsidiary) to, create, incur, assume or guarantee any Secured Debt unless the Notes will be secured equally and ratably with (or prior to) such Secured Debt, with certain exceptions. This restriction does not prohibit the creation, incurrence, assumption or guarantee of Secured Debt which is secured by:

- (1) Security Interests in model homes, homes held for sale, homes that are under contract for sale, contracts for the sale of homes, land (improved or unimproved), manufacturing plants, warehouses or office buildings and fixtures and equipment located thereat or thereon;
- (2) Security Interests in property at the time of its acquisition by the Company or a Restricted Subsidiary, including Capitalized Lease Obligations, which Security Interests secure obligations assumed by the Company or a Restricted Subsidiary, or in the property of a corporation or other entity at the time it is merged into or consolidated with the Company or a Restricted Subsidiary (other than Secured Debt created in contemplation of the acquisition of such property or the consummation of such a merger or where the Security Interest attaches to or affects the property of the Company or a Restricted Subsidiary prior to such transaction);
- (3) Security Interests arising from conditional sales agreements or title retention agreements with respect to property acquired by the Company or a Restricted Subsidiary;
- (4) Security Interests incurred in connection with pollution control, industrial revenue, water, sewage or any similar item; and
- (5) Security Interests securing Indebtedness of a Restricted Subsidiary owing to the Company or a Restricted Subsidiary that is wholly owned (directly or indirectly) by the Company or Security Interests securing the Company's Indebtedness owing to a Guarantor.

Additionally, such permitted Secured Debt includes any amendment, restatement, supplement, renewal, replacement, extension or refunding, in whole or in part, of Secured Debt permitted at the time of the original incurrence thereof.

In addition, the Company and the Guarantors may create, incur, assume or guarantee Secured Debt, without equally and ratably securing the Notes, if immediately thereafter the sum of (1) the aggregate principal amount of all Secured Debt outstanding (excluding Secured Debt permitted under clauses (1) through (5) above and any Secured Debt in relation to which the Notes have been equally and ratably secured) and (2) all Attributable Debt (as defined below) in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Sale and Leaseback Transactions as to which the provisions of clauses (1) through (3) described under "Limitation on Sale and Leaseback Transactions" have been complied with) as of the date of determination would not exceed 20% of Consolidated Net Tangible Assets (as defined below).

The provisions described above with respect to limitations on Secured Debt are not applicable to Non-Recourse Indebtedness (as defined below) by virtue of the definition of Secured Debt, and will not restrict the Company's or the Guarantors' ability to create, incur, assume or guarantee any unsecured Indebtedness, or of any Subsidiary which is not a Restricted Subsidiary to create, incur, assume or guarantee any secured or unsecured Indebtedness.

*Limitation on Sale and Leaseback Transactions.* The Indenture provides that we will not, and will not cause or permit a Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless:

- the net proceeds received therefrom are equal to or exceed the fair value of such property so leased, as determined by the Board of Directors, chairman of the board, vice chairman, president or principal financial officer of the Company,
- we or any of our Restricted Subsidiaries would be entitled to incur Secured Debt as described in “Restrictions on Secured Debt” above,
- we, or a Restricted Subsidiary, within 180 days of the effective date of any Sale and Leaseback Transaction, apply an amount equal to the fair value of the property so leased to the retirement of our Funded Indebtedness,
- the Sale and Leaseback Transaction relates to a sale which occurs within 180 days from the date of acquisition of that property by us or any of our Restricted Subsidiaries or the date of the completion of construction or commencement of full operations on that property, whichever is later, or
- the Sale and Leaseback Transaction was consummated prior to the date of the Indenture.

*Additional Guarantees.* The Indenture provides that the Company shall not permit any Subsidiary that is not a Guarantor, directly or indirectly, to guarantee any obligations of the Company under any Specified Indebtedness unless such Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture, in a form reasonably satisfactory to the Trustee, pursuant to which such Subsidiary guarantees, jointly and severally with all other Guarantors, on the same basis as the Specified Indebtedness is guaranteed, the Company’s obligations under the Indenture and the Notes. The Company shall deliver to the Trustee an opinion of counsel that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and, subject to customary exceptions, constitutes a valid and legally binding and enforceable obligation of such Subsidiary.

*SEC Reports.* The Indenture provides that we will deliver to the Trustee and each Holder, within 15 days after we file the same with the SEC, copies of all reports and information (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe), if any, exclusive of exhibits, which we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act or pursuant to the immediately following sentence. So long as any Notes remain outstanding, we shall file with the SEC such reports as may be required pursuant to Section 13 of the Exchange Act in respect of a security registered pursuant to Section 12 of the Exchange Act. If we are not subject to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (or otherwise required to file reports pursuant to the immediately preceding sentence), we shall deliver to the Trustee and to each Holder, within 15 days after we would have been required to file such information with the SEC were we required to do so, financial statements, including any notes thereto (and, in the case of a fiscal year end, an auditors’ report by an independent certified public accounting firm of established national reputation), and a “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” substantially equivalent to that which we would have been required to include in such quarterly or annual reports, information, documents or other reports if we had been subject to the requirements of Section 13 or 15(d) of the Exchange Act. We shall also comply with the other provisions of TIA Section 314(a).

### **Consolidation, Merger and Sale of Assets**

Neither the Company nor the Guarantors will consolidate or merge into or sell, assign, transfer or lease all or substantially all of our or their assets to another person unless:

- (1) the person is a corporation organized under the laws of the United States of America or any state thereof;



(2) the person assumes by supplemental indenture all of the obligations of us or such Guarantor, as the case may be, relating to the Notes, the Guarantees and the Indenture, as the case may be; and

(3) immediately after the transaction no Event of Default exists; *provided* that this clause (3) will not restrict or be applicable to a merger, consolidation or liquidation of a Guarantor with or into the Company or another Subsidiary that is wholly owned, directly or indirectly, by the Company that is, or concurrently with the completion of such merger, consolidation or liquidation becomes, a Guarantor or a Restricted Subsidiary that is wholly owned, directly or indirectly, by the Company.

Upon any such consolidation, merger, sale, assignment or transfer, the successor corporation will be substituted for the Company or such Guarantor (including any merger or consolidation described in the proviso at the end of the immediately preceding sentence), as applicable, under the Indenture. The successor corporation may then exercise every power and right of the Company or such Guarantor under the Indenture, and the Company or such Guarantor, as applicable, will be released from all of its respective liabilities and obligations in respect of the Notes and the Indenture. If the Company or any Guarantor leases all or substantially all of its assets, the lessee corporation will be the successor to the Company or such Guarantor and may exercise every power and right of the Company or such Guarantor, as the case may be, under the Indenture, but the Company or such Guarantor, as the case may be, will not be released from its respective obligations to pay the principal of and premium, if any, and interest, if any, on the Notes.

## Events of Default

An “Event of Default” with respect to the Notes is defined in the Indenture as being:

(1) default in the payment of interest on the Notes as and when the same becomes due and payable and the continuance of any such failure for 30 days;

(2) default in the payment of all or any part of the principal or premium, if any, on the Notes when and as the same become due and payable at maturity, at redemption, by declaration of acceleration or otherwise;

(3) default in the observance or performance of, or breach of, any covenant, agreement or warranty of the Company contained in the Notes or the Indenture (unless specifically dealt with elsewhere), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by Holders of at least 25% in aggregate principal amount of the outstanding Notes, a written notice specifying such default or breach, requiring it to be remedied and stating that such notice is a “Notice of Default” thereunder;

(4) a decree, judgment or order by a court of competent jurisdiction shall have been entered adjudging the Company or any of its Significant Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition in an involuntary case or proceeding seeking reorganization of the Company or any of its Significant Subsidiaries under any bankruptcy or similar law, or a decree, judgment or order of a court of competent jurisdiction directing the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of the Company, any of its Significant Subsidiaries, or of the assets or property of any such Person, or the winding up or liquidation of the affairs of any such Person, shall have been entered, and the continuance of any such decree, judgment or order unstayed and in effect for a period of 90 consecutive days;

(5) the Company or any of its Significant Subsidiaries shall institute proceedings to be adjudicated a voluntary bankrupt (including conversion of an involuntary proceeding into a voluntary proceeding), or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent to the filing of any such petition, or shall consent to the appointment of a custodian, receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of it or any of its assets or property, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its

debts generally as they become due, or shall, within the meaning of any Bankruptcy Law, become insolvent, or fail generally to pay its debts as they become due;

(6) (a) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company or any of its Significant Subsidiaries (in accordance with the terms of such Indebtedness and after giving effect to any applicable grace period set forth in the documents governing such Indebtedness) that has an outstanding principal amount of \$25,000,000 or more individually or \$40,000,000 or more in the aggregate to be immediately due and payable; *provided* that, in the event any such acceleration is withdrawn or otherwise rescinded (including satisfaction of such Indebtedness) within a period of ten business days after such acceleration by the holders of such Indebtedness, any Event of Default under this clause (6) will be deemed to be cured and any acceleration hereunder will be deemed withdrawn or rescinded; or (b) the failure by the Company or any of its Significant Subsidiaries to make any principal, premium, interest or other required payment in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any of its Significant Subsidiaries with an outstanding aggregate principal amount of \$25,000,000 or more individually or \$40,000,000 or more in the aggregate (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(7) one or more final nonappealable judgments (in the amount not covered by insurance or not reserved for) or the issuance of any warrant of attachment against any portion of the property or assets (except with respect to Non-Recourse Indebtedness) of the Company or any of its Restricted Subsidiaries, which are \$25,000,000 or more individually or \$40,000,000 or more in the aggregate, at any one time rendered against the Company or any of its Restricted Subsidiaries by a court of competent jurisdiction and not bonded, satisfied or discharged for a period (during which execution shall not be effectively stayed) of (a) 60 days after the judgment becomes final and such court shall not have ordered or approved, and the parties shall not have agreed upon, the payment of such judgment at a later date or dates or (b) 60 days after all or any part of such judgment is payable pursuant to any court order or agreement between the parties; or

(8) the Guarantee of any Guarantor shall fail to remain in full force and effect except in accordance with the Indenture or any action shall be taken by any Guarantor to discontinue or to assert the invalidity or unenforceability of its Guarantee, or any Guarantor shall fail to comply with any of the terms or provisions of its Guarantee, or any Guarantor denies that it has any further liability under its Guarantee or gives notice to such effect.

The Indenture provides that if an Event of Default (other than an Event of Default described in clause (4) or (5) above) shall have occurred and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of Notes then outstanding may declare the principal amount of all the Notes and interest, if any, accrued thereon to be due and payable immediately, but upon certain conditions such declaration may be annulled and past defaults (except, unless cured, a default in payment of principal of or interest on the Notes) may be waived by the holders of a majority in principal amount of the Notes then outstanding. If an Event of Default described in clause (4) or (5) above occurs and is continuing, then the principal amount of all the debt securities shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during default to act with the required standard of care, to be indemnified by the holders of the Notes before proceeding to exercise any right or power under the Indenture at the request of the holders of the Notes. The Indenture also provides that the holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on such Trustee.

No holder of Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless: (1) the holder shall have previously given the Trustee written notice of an Event of Default with respect to the Notes, (2) the holders of at least 25% in aggregate principal amount of the outstanding Notes shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, (3) the Trustee shall have failed to institute any such proceeding for 60 days after its receipt of such notice and (4) no direction inconsistent with such written request shall have been given to the Trustee during the 60-day period by the holders of a majority in principal amount of the Notes. However, any right of a holder of Notes to

receive payment of the principal of and any interest on the Notes on or after the dates expressed in the Notes and to institute suit for the enforcement of any such payment on or after such dates shall not be impaired or affected without the consent of such holder.

The Indenture contains a covenant that we will file annually with the Trustee a certificate as to the absence of any default or specifying any default that exists.

### **Certain Definitions**

*“Attributable Debt”* means, in respect of a Sale and Leaseback Transaction, the present value (discounted at the weighted average effective interest cost per annum of the outstanding debt securities of all series, compounded semiannually) of the obligation of the lessee for rental payments during the remaining term of the lease included in such transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended or, if earlier, until the earliest date on which the lessee may terminate such lease upon payment of a penalty (in which case the obligation of the lessee for rental payments shall include such penalty), after excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water and utility rates and similar charges.

*“Capital Stock”* means any and all shares, interests, participations or other equivalents (however designated) of or in a Person’s capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Preferred Stock of such Person if such Person is a corporation or membership interests if such Person is a limited liability company and each general and limited partnership interest of such Person if such Person is a partnership.

*“Capitalized Lease Obligations”* of any Person means the obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

*“Change of Control”* means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of more than 50% of our Voting Stock, measured by voting power rather than number of shares. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (1) the Company becomes a wholly owned subsidiary of a holding company and (2) the holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company’s Voting Stock immediately prior to that transaction.

*“Comparable Treasury Issue”* means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

*“Comparable Treasury Price”* means, with respect to any redemption date, (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities” or (b) if such release (or any successor release) is not published or does not contain such price on such business day, (i) the average of the Reference Treasury Dealer quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

*“Consolidated Net Tangible Assets”* means the total amount of assets which would be included on a combined balance sheet of the Company and the Guarantors under GAAP (less applicable reserves and other properly deductible items) after deducting therefrom:

(1) all short-term liabilities, except for (x) liabilities payable by their terms more than one year from the date of determination (or renewable or extendible at the option of the obligor for a period ending more than one year after such date) and (y) liabilities in respect of retiree benefits other than pensions for which the Restricted Subsidiaries are required to accrue pursuant to Statement of Financial Accounting Standards No. 106;

(2) investments in subsidiaries that are not Restricted Subsidiaries; and

(3) all goodwill, trade names, trademarks, patents, unamortized debt discount, unamortized expense incurred in the issuance of debt and other intangible assets.

“*Consolidated Net Worth*” of any Person means the consolidated stockholders’ equity of the Person determined in accordance with GAAP.

“*Finance Subsidiary*” means any Subsidiary of the Company substantially all of whose operations consist of (a) the mortgage financing business or (b) the insurance business.

“*Fitch*” means Fitch Ratings.

“*Funded Indebtedness*” means notes, bonds, debentures or other similar evidences of Indebtedness for money borrowed which by their terms mature at or are extendible or renewable at the option of the obligor to a date more than 12 months after the date of the creation of such debt.

“*GAAP*” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on the date of the Indenture.

“*Guarantee*” means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

“*Guarantors*” means (i) initially, each of:

M.D.C. Land Corporation, a Colorado corporation;  
RAH of Florida, Inc., a Colorado corporation;  
Richmond American Construction, Inc., a Delaware corporation;  
Richmond American Homes of Arizona, Inc., a Delaware corporation;  
Richmond American Homes of Colorado, Inc., a Delaware corporation;  
Richmond American Homes of Delaware, Inc., a Colorado corporation (now known as Richmond American Homes of Oregon, Inc.);  
Richmond American Homes of Florida, LP, a Colorado limited partnership;  
Richmond American Homes of Illinois, Inc., a Colorado corporation (now known as Richmond American Homes of Idaho, Inc.);  
Richmond American Homes of Maryland, Inc., a Maryland corporation;  
Richmond American Homes of Nevada, Inc., a Colorado corporation;  
Richmond American Homes of New Jersey, Inc., a Colorado corporation;  
Richmond American Homes of Pennsylvania, Inc., a Colorado corporation;  
Richmond American Homes of Utah, Inc., a Colorado corporation;  
Richmond American Homes of Virginia, Inc., a Virginia corporation; and  
Richmond American Homes of Washington, Inc., a Colorado corporation.

and (ii) any other Subsidiary of the Company that executes and delivers a guarantee of the Notes pursuant to the provisions of the Indenture.

“*Indebtedness*” means (a) any liability of any Person (i) for borrowed money, or (ii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind (other than a trade payable or a current liability arising in the ordinary course of business), or (iii) for the payment of money relating to a Capitalized Lease Obligation or (iv) for all Redeemable Capital Stock valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (b) any liability of others described in the preceding clause (a) that such Person has guaranteed or that is otherwise its legal liability; (c) all Indebtedness referred to in (but not excluded from) clauses (a) and (b) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Security Interest upon or in property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (d) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a), (b) and (c) above.

“*Interest Payment Date*” means the stated due date of an installment of interest on the Notes.

“*Investment Grade*” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating categories of Moody’s); a rating of BBB- or better by Fitch (or its equivalent under any successor rating categories of Fitch); a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P); and the equivalent investment grade credit rating from any additional Rating Agency or Rating Agencies selected by us.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Non-Recourse Indebtedness*” means Indebtedness or other obligations secured by a lien on property to the extent that the liability for the Indebtedness or other obligations is limited to the security of the property without liability on the part of the Company or any Restricted Subsidiary (other than the Restricted Subsidiary which holds title to the property) for any deficiency.

“*Notes*” means the 6.000% Senior Notes due 2043, issued under the Indenture, as supplemented from time to time in accordance with the terms of the Indenture.

“*Person*” means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*Preferred Stock*” of any Person means all Capital Stock of such Person which has a preference in liquidation or with respect to the payment of dividends.

“*Rating Agency*” means (1) each of Moody’s, Fitch and S&P; and (2) if any of Moody’s, Fitch or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available (for reasons outside of our control), a “nationally recognized statistical rating organization” registered under Section 15E of the Exchange Act, selected by us (as certified by a resolution of our board of directors) as a replacement agency for Moody’s, Fitch or S&P, or all three, as the case may be.

“*Redeemable Capital Stock*” means any Capital Stock of the Company or any of its Subsidiaries that, either by its terms, by the terms of any security into which it is convertible or exchangeable or otherwise, (a) is or upon the happening of an event or passage of time would be required to be redeemed on or prior to the final stated maturity of the securities or (b) is redeemable at the option of the holder thereof at any time prior to such final stated maturity or (c) is convertible into or exchangeable for debt securities at any time on or prior to such final stated maturity.

“*Reference Treasury Dealer*” means (a) Citigroup Global Markets Inc. (or its affiliates which are Primary Treasury Dealers), and its successors; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “*Primary Treasury Dealer*”), the Company will substitute therefor another Primary Treasury Dealer, and (b) any other Primary Treasury Dealer(s) selected by us.

“*Reference Treasury Dealer Quotations*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

“*Remaining Scheduled Payments*” means, with respect to any Note, the remaining scheduled payments of the principal thereof to be redeemed and interest thereon that would be due after the related redemption date but for such redemption; *provided, however*, that if such redemption date is not an Interest Payment Date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to such redemption date.

“*Restricted Subsidiary*” means any Guarantor and any successor to such Guarantor.

“*Sale and Leaseback Transaction*” means a sale or transfer made by the Company or a Restricted Subsidiary (except a sale or transfer made to the Company or a Restricted Subsidiary) of any property which is either (a) a manufacturing facility, office building or warehouse whose book value equals or exceeds 1% of Consolidated Net Tangible Assets as of the date of determination or (b) another property (not including a model home) which exceeds 5% of Consolidated Net Tangible Assets as of the date of determination, if such sale or transfer is made with the agreement, commitment or intention of leasing such property to the Company or a Restricted Subsidiary for more than a three-year term.

“*Secured Debt*” means any Indebtedness, except Indebtedness of the Finance Subsidiaries, which is secured by (i) a Security Interest in any of the property of the Company or any Restricted Subsidiary or (ii) a Security Interest in shares of stock owned directly or indirectly by the Company or a Restricted Subsidiary in a corporation or in equity interests owned by the Company or a Restricted Subsidiary in a partnership or other entity not organized as a corporation or in the Company’s rights or the rights of a Restricted Subsidiary in respect of Indebtedness of a corporation, partnership or other entity in which the Company or a Restricted Subsidiary has an equity interest. The securing in the foregoing manner of any such Indebtedness which immediately prior thereto was not Secured Debt shall be deemed to be the creation of Secured Debt at the time security is given.

“*Security Interests*” means any mortgage, pledge, lien, encumbrance or other security interest which secures the payment or performance of an obligation.

“*Significant Subsidiary*” means any Subsidiary (a) whose revenues exceed 10% of our total consolidated revenues, in each case for the most recent fiscal year, or (b) whose net worth exceeds 10% of our total stockholders’ equity, in each case as of the end of the most recent fiscal year.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“*Specified Indebtedness*” means Indebtedness under (i) the Notes and (ii) the 2002 Indenture, and any refinancing, extension, renewal or replacement of any of the foregoing.

“*Subsidiary*” means any Person of which at the time of determination by us, directly and/or indirectly through one or more Subsidiaries, we own more than 50% of its Voting Stock.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*Voting Stock*” means, with respect to any Person, the Capital Stock of such Person that is generally entitled to vote in the election of the members of the board of directors (or functional equivalent) of such Person.

## Modification and Waiver

We and the Trustee, with the consent of the holders of at least a majority of the principal amount of the outstanding Notes, may execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or modifying the rights of the holders of the Notes, except that no such supplemental indenture may, without the consent of the holder of each outstanding security affected by the supplemental indenture, among other things:

- (1) change the final maturity of the Notes, or reduce the rate or extend the time of payment of interest on the Notes, or reduce the principal amount of the Notes, or impair the right to institute suit for payment of the Notes;
- (2) change the redemption provisions or the definitions relating thereto in any manner adverse to the holders of the Notes;
- (3) reduce the percentage of Notes whose consent the holders of which is required for any such supplemental indenture, for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences provided in the Indenture; or
- (4) modify any of the provisions regarding the modification of the Indenture, waivers of past defaults and waivers of certain covenants, except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding security affected thereby.

Our Board of Directors does not have the power to waive any of the covenants of the Indenture. We and the Trustee may modify or amend provisions of the Indenture without the consent of any holder for any of the following purposes:

- (1) to evidence the succession of another Person to us or any Guarantor under the Indenture and the Notes;
- (2) to add to our covenants or the covenants of any Guarantor for the benefit of the holders of the Notes or to surrender any right or power conferred upon us or such Guarantor by the Indenture;
- (3) to add Events of Default for the benefit of the holders of the Notes;
- (4) to secure any debt securities under the Indenture;
- (5) to establish the form or terms of the debt securities of any series;
- (6) to add Guarantors;
- (7) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee;
- (8) to close the Indenture to authentication and delivery of additional series of debt securities and to cure any ambiguity, defect or inconsistency in the Indenture, *provided* such action does not adversely affect the interests of holders of the Notes; or
- (9) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of the Notes, *provided* that such action shall not adversely affect the interests of the holders of the Notes in any material respect.

The holders of at least a majority in principal amount of the outstanding Notes may, on behalf of the holders of the Notes, waive any past default under the Indenture with respect to the Notes. However, they may not

waive a default (1) in the payment of the principal of (or premium, if any) or any interest on the Notes or (2) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding debt security affected.

## **Defeasance Provisions**

*Defeasance and Discharge.* The Indenture provides that we will be discharged from any and all obligations in respect of the debt securities of that series (except for certain obligations to register the transfer or exchange of debt securities, replace stolen, lost, destroyed or mutilated debt securities, maintain offices or agencies and hold moneys for payment in trust) upon the deposit with the Trustee, in trust, of money, government obligations or a combination thereof, which through the payment of interest and principal thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on, and any mandatory sinking fund payments in respect of, the debt securities of that series on the stated maturity date of the payments in accordance with the terms of the Indenture and the debt securities. This type of discharge may only occur if there has been a change in applicable federal law or we have received from, or there has been published by, the United States Internal Revenue Service a ruling to the effect that the holders of the debt securities of that series will not recognize income, gain or loss for federal income tax purposes as a result of that discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the discharge had not occurred. In addition, this type of discharge may only occur so long as no Event of Default or event which, with notice or lapse of time, would become an Event of Default with respect to the debt securities of that series has occurred and is continuing on the date that cash and/or government securities are deposited in trust and other conditions specified in the Indenture are satisfied. The term “government obligations” means securities of the government which issued the currency in which the debt securities of the series are denominated or in which interest is payable or of government agencies backed by the full faith and credit of that government.

*Defeasance of Certain Covenants.* The Indenture also provides that we may omit to comply with the covenants described above under “Certain Covenants” with respect to the debt securities of that series if we comply with the following conditions. In order to exercise this option, we will be required to deposit with the Trustee money, government obligations or a combination thereof which through the payment of interest and principal thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on, and any mandatory sinking fund payments in respect of, the debt securities of that series on the stated maturity date of the payments in accordance with the terms of the Indenture and the debt securities. We will also be required to deliver to the Trustee an opinion of counsel to the effect that the deposit and related covenant defeasance will not cause the holders of the debt securities of that series to recognize income, gain or loss for federal income tax purposes and that those holders will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit and covenant defeasance had not occurred, and to satisfy other conditions specified in the Indenture.

*Covenant Defeasance and Events of Default.* In the event we exercise our option to effect covenant defeasance with respect to the debt securities of any series and those debt securities are declared due and payable because of the occurrence of any Event of Default, the amount of money and government obligations on deposit with the Trustee will be sufficient to pay amounts due on the debt securities of that series at the time of their stated maturity dates but may not be sufficient to pay amounts due on the debt securities at the time of the acceleration resulting from such Event of Default. However, we shall remain liable for such payments.

## **Regarding the Trustee**

The Indenture contains certain limitations on the rights of the Trustee, which is a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign. In the ordinary course of its business, the Trustee provides, and may continue to provide, service to the Company as trustee for other debt securities of the Company.



## **Book-Entry Delivery and Settlement**

We will issue the Notes in the form of one or more permanent global securities in definitive, fully registered form. The global securities will be deposited with or on behalf of The Depository Trust Company, referred to as DTC, and registered in the name of Cede & Co., as nominee of DTC, or will remain in the custody of the trustee in accordance with the FAST Balance Certificate Agreement between DTC and the Trustee. DTC has advised us that:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended;
- DTC holds securities that its direct participants deposit with DTC and facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants’ accounts, thereby eliminating the need for physical movement of securities certificates;
- direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations;
- DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc.;
- access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly; and
- the rules applicable to DTC and its direct and indirect participants are on file with the SEC.

## **Certificated Notes**

We will issue certificated Notes to each Person that DTC identifies as the beneficial owner of Notes represented by the global securities upon surrender by DTC of the global securities only if:

- DTC notifies us that it is no longer willing or able to act as a depository for the global securities, and we have not appointed a successor depository within 90 days of that notice;
- an Event of Default has occurred and is continuing; or
- we decide not to have the Notes represented by a global security.

Neither we nor the Trustee will be liable for any delay by DTC, its nominee or any direct or indirect participant in identifying the beneficial owners of the related Notes. We and the Trustee may conclusively rely on, and will be protected in relying on, instructions from DTC or its nominee, including instructions about the registration and delivery, and the respective principal amounts, of the Notes to be issued.

## **Same-Day Settlement and Payment**

Settlement for the Notes will be made by the underwriter in immediately available funds. So long as the Notes are represented by global securities registered in the name of DTC or its nominee, all payments of principal and interest will be made by us in immediately available funds. In addition, so long as the Notes are represented by such Global Securities, the Notes will trade in DTC’s Same-Day Funds Settlement System, and secondary market trading activity in the Notes will therefore be required by DTC to settle in immediately available funds. No

assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

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**M.D.C. HOLDINGS, INC.  
2011 EQUITY INCENTIVE PLAN**

**AMENDED AND RESTATED  
EXECUTIVE OFFICER**

**STOCK OPTION AGREEMENT**

M.D.C. Holdings, Inc., a Delaware corporation (the “**Company**”), grants an option under the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan (the “**Plan**”) to purchase shares of common stock, \$0.01 par value per share, of the Company (“**Stock**”) to the Optionee named below. This Amended and Restated Stock Option Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of an Option to Optionee. This Agreement was originally effective as of the Grant Date set forth below, and, subject to Section 24 below, is now amended and restated in its entirety effective as of November \_\_, 2020 (the “**Restatement Date**”).

**A. NOTICE OF GRANT**

**Name of Optionee:**

**Number of Shares of Stock Covered by the Option:**

**Exercise Price per Share:**

**Grant Date:**

**Expiration Date:**

**Type of Option:** Non-Qualified Stock Option

**Vesting Schedule:** Except as provided otherwise in this Agreement, the Plan (including but not limited to Section 14.2), or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), which may provide for accelerated vesting upon certain terminations in connection with a Change of Control), Optionee’s right to purchase shares of Stock under this Option vests, as set forth below:

<u>Service Vesting Date</u>	<u>Percentage of Shares that Vest</u>	<u>Cumulative Percentage of Vested Shares</u>
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This Option is also subject to the terms of any employment agreement or change in control agreement the Optionee may have with the Company (as such agreement(s) may be amended from time to time) and the Clawback Policy adopted by the Corporate Governance/Nominating Committee on January 14, 2015. Notwithstanding anything in this Agreement to the contrary, to the extent the provisions of this Agreement may conflict with provisions in the Optionee’s employment agreement with the Company (if any), the terms of the employment agreement shall control.

## B. STOCK OPTION AGREEMENT

1. **Grant of Option.** Subject to the terms and conditions of this Agreement and the Plan, the Company grants to Optionee, an Option to purchase the number of shares of Stock, at the Exercise Price (each as set forth in the Notice of Grant on the cover page of this Agreement), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Plan.

2. **Type of Option.** This Option is a Non-Qualified Stock Option.

3. **Certificates; Book Entry.** The Company may elect to satisfy any requirement for the delivery of shares of stock through the use of electronic or other forms of book-entry including, but not limited to, uncertificated shares maintained electronically.

4. **Vesting.** The Option is only exercisable, in whole or in part, before it expires and then only with respect to the vested portion of the Option. Subject to the preceding sentence, Optionee may exercise this Option, by following the procedures set forth in this Agreement. If at any time the number of shares of Stock that are covered by the vested and exercisable portion of the Option includes a fractional share, the number of shares of Stock as to which the Option shall be actually vested and exercisable shall be rounded down to the next whole share of Stock.

Except as provided otherwise in this Agreement, the Plan (including but not limited to Section 14.2), or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), which may provide for accelerated vesting upon certain terminations in connection with a Change of Control), Optionee's right to purchase shares of Stock under this Option vests as set forth on the vesting schedule in the Notice of Grant above.

5. **Option Term; Expiration Date.** This Option shall have a maximum term of ten (10) years, measured from the original Grant Date (set forth in the Notice of Grant), and shall accordingly expire at the close of business at Company headquarters on the tenth anniversary of the Grant Date, unless sooner terminated in accordance with Section 6 of this Agreement (the "Expiration Date").

6. **Termination of Service.** In the event of the Employee's Retirement (as defined in Section 4(a)(v) of the Employment Agreement dated October 26, 2020, between Employee and the Company (as amended from time to time, the "Employment Agreement")), death, presumed death, the Employee becoming Totally Disabled (as defined in Section 3(f)(i) of the Employment Agreement), termination of the Employee's employment by the Company without Cause (as defined in Section 4(a)(ii) of the Employment Agreement) (which includes a non-renewal by the Company of the Employment Agreement for each Additional Term, as defined in Section 2 of the Employment Agreement) or termination by the Employee for Good Reason (as defined in Section 4(a)(iv) of the Employment Agreement), or in the event of a Change in Control (as defined in Section 4(a)(iii) of the Employment Agreement) following which the employment of the Employee is terminated by the Company, in each case prior to the Expiration Date, then the unvested portion of this Option shall become fully vested and exercisable as of the date of termination, death,

presumed death, or becoming Totally Disabled, as applicable, and the Option will expire at the close of business at Company headquarters on the Expiration Date. If the Optionee's Service is terminated by the Company or an Affiliate for Cause, then Optionee shall immediately forfeit all then existing rights to the Option (whether or not vested) and the Option shall immediately expire on the date of termination of Service.

7. **Leave of Absence.** For purposes of the Option, Service does not terminate when Optionee goes on a leave of absence that was approved by the Company or an Affiliate in writing. Service terminates in any event when the approved leave ends unless Optionee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

8. **Option Exercise.**

(a) **Right to Exercise.** The Option shall be exercisable on or before the Expiration Date in accordance with the vesting schedule set forth in the Notice of Grant, as referenced in Section 4, or as earlier vested in accordance with Section 6. The Option shall not be exercisable after the Expiration Date.

(b) **Notice of Exercise.** The Option shall be exercised by delivery of written or electronic notice to a representative of the Company designated by the Committee on any business day, on the form specified by the Company. The notice shall specify the number of shares of Stock to be purchased, accompanied by full payment of the Exercise Price for the shares being purchased. The notice must also specify how the shares should be registered (in the name of Optionee or in both the names of Optionee and Optionee's spouse as joint tenants with right of survivorship). The notice of exercise will be effective when it is received by the Company. Anyone exercising the Option after the death of Optionee must provide appropriate documentation to the satisfaction of the Company that the individual is entitled to exercise the Option.

(c) **Payment of Exercise Price.** Payment of the Exercise Price for the number of shares of Stock being purchased in full shall be made in one (or a combination) of the following forms:

(i) Cash or cash equivalents acceptable to the Company.

(ii) Unrestricted shares of Stock which have already been owned by Optionee (for at least six months or such other period designated by the Committee) which are surrendered to the Company. The Fair Market Value of the shares, determined as of the date of surrender, must equal the aggregate Exercise Price to be applied to the Exercise Price.

(iii) Any other method approved or accepted by the Committee in its sole discretion, including, but limited to a cashless (broker-assisted) exercise, if permitted, in which the sale proceeds are delivered to the Company in payment of the aggregate Exercise Price and any withholding taxes.

9. **Tax Withholding.** The Company shall have the right to require payment of, or deduction from payments of any kind otherwise due to Optionee, any federal, state, local or foreign

taxes of any kind required by law to be withheld upon the issuance, vesting or delivery of any shares of Stock, dividends or payments of any kind. The Company may withhold taxes from any payments due to Optionee or Optionee may deliver a check to the Company. Subject to the prior approval of the Committee, which may be withheld by the Committee, in its sole discretion, Optionee may elect to satisfy the minimum statutory withholding obligations, in whole or in part, (i) by having the Company withhold shares of Stock otherwise issuable to Optionee or (ii) by delivering to the Company shares of Stock already owned by Optionee (for at least six months or any other minimum period required by the Company). The shares delivered or withheld shall have an aggregate Fair Market Value sufficient to satisfy the minimum statutory total tax withholding obligations. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined ("Tax Date"). Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements. Any election must be made prior to the Tax Date, shall be irrevocable, made in writing and signed by Optionee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

10. **Transfer of Option.** Except as hereinafter provided, during Optionee's lifetime, only Optionee (or, in the event of Optionee's legal incapacity or incompetency, Optionee's guardian or legal representative) may exercise the Option. Except as provided in the paragraph below, Optionee cannot transfer or assign the Option other than by will or the laws of descent and distribution. Upon any attempt to otherwise transfer or assign the Option, the Option will immediately become invalid. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from Optionee's spouse, nor is the Company obligated to recognize Optionee's spouse's interest in the Option in any other way.

Optionee may transfer, not for value, all or part of the Option to any Family Member; provided, however, such a transfer must be accompanied by an executed tax agreement prepared by the Company. Following a transfer to a Family Member, the Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Optionee in accordance with this Section, or by will or the laws of descent and distribution. The events of termination of Service under an Option shall continue to be applied with respect to the original Participant, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in the applicable Award Agreement. Also, subject to an amendment to the Plan authorizing such transfers, Optionee may transfer all or part of the Option to (1) a tax exempt, non-profit organization qualified under I.R.C. Section 501(c) or (2) a trust in which any one or more Family Members (or the Participant) hold a beneficial interest.

11. **Investment Representations.** The Committee may require Optionee (or Optionee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

12. **Continued Service.** Neither the grant of the Option nor this Agreement gives Optionee the right to continue Service with the Company or its Affiliates in any capacity. The Company and its Affiliates reserve the right to terminate Optionee's Service at any time and for any reason not prohibited by law.

13. **Stockholder Rights.** Optionee and Optionee's estate or heirs shall not have any rights as a stockholder of the Company until Optionee becomes the holder of record of such shares of Stock, and no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date prior to the date Optionee becomes the holder of record of such shares, except as provided in Section 14 of the Plan.

14. **Adjustments.** The number of shares of Stock outstanding under this Option shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any Corporate Event. Any such adjustment in the Option shall not increase the aggregate Exercise Price payable with respect to shares that are subject to the unexercised portion of the outstanding Option and the adjustment shall comply with the requirements under Section 409A of the Code. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's stockholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust (a) the number and kind of shares subject to this Option and/or (b) the Exercise Price of this Option to reflect such distribution.

15. **Additional Requirements.** Optionee acknowledges that shares of Stock acquired upon exercise of the Option may bear such legends, as the Company deems appropriate to comply with applicable federal or state laws. No shares shall be issued or delivered pursuant to this Agreement unless there shall have been compliance with all applicable requirements of federal, state and other securities laws, all applicable listing requirements of the New York Stock Exchange, if applicable, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery. In connection therewith and prior to the issuance of the shares, Optionee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

16. **Governing Law.** The validity and construction of this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and this Agreement to the substantive laws of any other jurisdiction.

17. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This amended and restated Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and, subject to Section 24 below, supersedes the previously executed version of this Agreement, dated as of the Grant Date.

18. **Tax Treatment; Section 409A.** Optionee may incur tax liability as a result of the exercise of the Option or the disposition of shares of Stock. Optionee should consult his or her own tax adviser before exercising the Option or disposing of the shares.

Optionee acknowledges that the Committee, in the exercise of its sole discretion and without Optionee's consent, may (but is not obligated to) amend or modify the Option and this Agreement in any manner and delay the payment of any amounts payable pursuant to this Agreement to the minimum extent necessary to satisfy the requirements of Section 409A of the Code. The Company will provide Optionee with notice of any such amendment or modification.

19. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Optionee, except to the extent set forth in Section 18 hereof regarding Section 409A of the Code and any other provision set forth in the Plan.

20. **2011 Equity Incentive Plan.** The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee.

21. **Headings; Construction.** The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

22. **Other Employee Benefits.** The amount of any compensation deemed to be received by Optionee as a result of this Agreement and the issuances of Shares hereunder, shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of Optionee are determined, including without limitation benefits under any pension, profit sharing, 401(k), bonus, life insurance or salary continuation plan, except to the extent specifically provided in such separate plan or agreement.

23. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee with respect to this Agreement and the Option shall be binding and conclusive for all purposes and on all persons.

24. **Acceptance.** This Agreement is voidable by the Company if the Optionee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Optionee by the Company. For avoidance of doubt, if this amended and restated Agreement is not accepted pursuant to the foregoing sentence, the previously executed version of this Agreement, dated as of the Grant Date, shall continue to govern the Grant in full force and effect pursuant to its terms.



Dated: as of the Restatement Date set forth above.

**M.D.C. HOLDINGS, INC.**

By: \_\_\_\_\_

Its \_\_\_\_\_

OPTIONEE

Signed: \_\_\_\_\_

**M.D.C. HOLDINGS, INC.**

**2011 EQUITY INCENTIVE PLAN**

**AMENDED AND RESTATED**

**EXECUTIVE OFFICER**

**RESTRICTED STOCK AGREEMENT**

M.D.C. Holdings, Inc., a Delaware corporation (the “**Company**”), awards to the Employee named below restricted shares of the Company’s common stock, \$0.01 par value per share (“**Restricted Stock**”) under the Company’s 2011 Equity Incentive Plan (the “**Plan**”). This Amended and Restated Restricted Stock Agreement (the “**Agreement**”) evidences the terms of the Company’s award of the Restricted Stock to Employee. This Agreement was originally effective as of the Award Date set forth below, and, subject to Section 23 below, is now amended and restated in its entirety effective as of November \_\_, 2020 (the “**Restatement Date**”).

**A. NOTICE OF AWARD**

**Name of Employee:**

**Number of Shares of Restricted Stock:**

**Closing Price on Award Date (NYSE):**     \$

**Aggregate Fair Market Value:<sup>1</sup>**             \$

**Award Date:**

Lapse Schedule: Except as provided otherwise in this Agreement, the Plan, or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), and subject to Employee’s continuous employment with the Company from the Award Date through each lapse date set forth below, the Forfeiture Restrictions shall lapse as to the Restricted Stock in accordance with the following schedule:

<b>Lapse Date</b>	<b>Percentage of Shares</b>	
	<b>Lapse of Forfeiture Restrictions</b>	<b>Cumulative Unrestricted Stock</b>
	%	%
	%	%
	%	%
	%	%

<sup>1</sup> The aggregate Fair Market Value is determined by the Award Date closing price of Company common stock on the New York Stock Exchange (rounded down to the next whole share in the event of a fractional share), subject to the terms and conditions set forth in this Agreement.

The Restriction Period shall be the period of time during which the Forfeiture Restrictions remain in effect for the applicable shares of Restricted Stock.

## **B. RESTRICTED STOCK AGREEMENT**

1. **Award.** Subject to the terms and conditions of this Agreement, the Plan, and any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), as an inducement to Employee to continue employment with the Company, the Company awards to Employee effective as of the Award Date the number of shares of Restricted Stock as set forth in the Notice of Award on the cover page of this Agreement, subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Plan.

2. **Type of Award.** This is an award of Restricted Stock.

3. **Certificates; Book Entry.** The Company may elect to maintain the shares of Restricted Stock, and deliver shares as to which the Forfeiture Restrictions have lapsed, through the use of electronic or other forms of book-entry including, but not limited to, uncertificated shares maintained electronically. Any certificates representing Restricted Stock shall include restrictive legends regarding applicable Forfeiture Restrictions, restrictions on transfer and compliance with securities law requirements. If the Company maintains the Restricted Stock in certificate form, the Company shall cause the certificate to be delivered to the Secretary of the Company, or such other escrow agent as the Company may appoint, who shall retain physical custody of such certificate until the Forfeiture Restrictions lapse or the shares of Restricted Stock are forfeited pursuant to this Agreement. Upon the request of the Company, the Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Stock then subject to the Forfeiture Restrictions.

4. **Forfeiture Restrictions.** The prohibition against transfer and the obligation to forfeit and surrender Restricted Stock to the Company upon termination of continuous employment are referred to as the "Forfeiture Restrictions." The Restricted Stock shall be issued subject to Forfeiture Restrictions. The Restricted Stock may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent subject to Forfeiture Restrictions. The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of the Restricted Stock.

5. **Lapse of Forfeiture Restrictions.** Except as may be otherwise provided in this Agreement, the Plan, or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), subject to Employee's continuous employment with the Company from the Award Date through each lapse date, the Forfeiture Restrictions shall lapse as to the Restricted Stock in accordance with the schedule set forth in the Notice of Award on the cover page of this Agreement. If at any time the number of shares as to which the Forfeiture Restrictions are scheduled to lapse includes a fractional share, the number of shares of Stock as to which the Forfeiture Restrictions shall be actually lapse shall be rounded down to the next whole share of stock. In the event of the Employee's Retirement

(as defined in Section 4(a)(v) of the Employment Agreement dated October 26, 2020, between Employee and the Company (as amended from time to time, the "Employment Agreement")), death, presumed death, the Employee becoming Totally Disabled (as defined in Section 3(f)(i) of the Employment Agreement), termination of the Employee's employment by the Company without Cause (as defined in Section 4(a)(ii) of the Employment Agreement) (which includes a non-renewal by the Company of the Employment Agreement for each Additional Term, as defined in Section 2 of the Employment Agreement) or termination by the Employee for Good Reason (as defined in Section 4(a)(iv) of the Employment Agreement), or in the event of a Change in Control (as defined in Section 4(a)(iii) of the Employment Agreement) following which the employment of the Employee is terminated by the Company, the Forfeiture Restrictions shall lapse as to all of the shares of Restricted Stock that, as of the date of termination, death, presumed death, or becoming Totally Disabled, as applicable, remain subject to Forfeiture Restrictions. If, prior to the lapse of the Forfeiture Restrictions, the Company terminates Employee's employment for Cause, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. However, if the Employee's employment is terminated by the Company other than for Cause, and conditioned on the Employee signing an agreement in a form satisfactory to the Company releasing claims against the Company and its employees, agents and Affiliates, the Forfeiture Restrictions shall lapse as to all of the shares of Restricted Stock that, at that time (the end of employment), remain subject to Forfeiture Restrictions; if the employee does not sign the agreement within the period of time specified by the Company, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. Upon forfeiture of shares of Restricted Stock, Employee shall have no further rights with respect to such shares, including but not limited to voting, dividend and liquidation rights.

6. **Leave of Absence.** For purposes of the Award, Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

7. **Tax Withholding.** The Company or any Affiliate shall have the right to deduct from payments of any kind otherwise due to Employee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of any shares of Restricted Stock, dividends or payments of any kind. The Company may withhold taxes from any payments or Shares due to Employee or Employee may deliver a check to the Company. Subject to the prior approval of the Company, which may be withheld by the Company, in its sole discretion, Employee may elect to have shares of Stock withheld or to satisfy the minimum statutory withholding obligations, in whole or in part, by delivering to the Company shares of Stock already owned by Employee (for at least six months or any other minimum period required by the Company). The shares withheld or delivered shall have an aggregate Fair Market Value not in excess of the minimum statutory total tax withholding obligations. The Fair Market Value of the

shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined ("Tax Date"). Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements. Any election must be made prior to the Tax Date, shall be irrevocable, made in writing, signed by Employee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

8. **Transfer of Restricted Stock.** If any transfer of Restricted Stock is made or attempted to be made contrary to the terms of this Agreement or the Plan, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or the transferee, at any time before or after such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The Company may refuse for any purpose to recognize any transferee who receives such shares contrary to the provisions of this Agreement as a stockholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

9. **Investment Representations.** The Committee may require Employee (or Employee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

10. **Continued Service.** Neither the award of Restricted Stock nor this Agreement gives Employee the right to continue Service with the Company or its Affiliates in any capacity. The Company and its Affiliates reserve the right to terminate Employee's Service at any time and for any reason not prohibited by law.

11. **Stockholder Rights.** Unless and until shares of the Restricted Stock are forfeited as hereinafter provided, Employee shall have all of the rights of a stockholder (including voting, dividend and liquidation rights) with respect to the shares of Restricted Stock, subject, however, to the terms and conditions set forth in this Agreement.

12. **Adjustments.** The number of shares of Restricted Stock outstanding under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of the Company's Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's stockholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of shares of Restricted Stock subject to this Agreement.

13. **Change in Control.** Upon the occurrence of a Change in Control, the Committee may take the action set forth in Section 14.2 of the Plan. Notwithstanding the foregoing, the employment agreement or change in control agreement Employee may have with the Company (as

such agreement(s) may be amended from time to time) may provide for accelerated vesting upon certain conditions in connection with a Change of Control.

14. **Additional Requirements.** Employee acknowledges that shares of Restricted Stock may bear such legends as the Company deems appropriate to comply with applicable federal, state or other securities laws. No shares shall be issued or delivered pursuant to this Agreement unless there shall have been compliance with all applicable requirements of federal, state and other securities laws, all applicable listing requirements of the New York Stock Exchange, if applicable, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery. In connection therewith and prior to the issuance of the shares, Employee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

15. **Governing Law.** The validity and construction of this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive laws of any other jurisdiction.

16. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This amended and restated Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and, subject to Section 23 below, supersedes the previously executed version of this Agreement, dated as of the Award Date.

17. **Tax Treatment; Section 83(b).** Employee may incur tax liability as a result of the vesting of Restricted Stock and the payment of dividends or the disposition of Shares. Employee agrees to consult Employee's own tax adviser for tax advice. Employee hereby acknowledges that Employee has been informed that Employee may file with the Internal Revenue Service, within 30 days of the Award Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Award Date on the Fair Market Value of the Restricted Shares. If Employee chooses to file an election under Section 83(b) of the Code, Employee hereby agrees to promptly deliver a copy of any such election to the head of the Tax Department of the Company (or other designated recipient).

18. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

19. **2011 Equity Incentive Plan.** The Award and shares of Restricted Stock shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee electronically.

20. **Headings; Construction.** The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or

enforceability of any other provision of this Agreement and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

21. **Other Employee Benefits.** The amount of any compensation deemed to be received by Employee as a result of this Agreement and the issuances of Shares hereunder, shall not constitute “earnings” or “compensation” with respect to which any other employee benefits of Employee are determined, including without limitation benefits under any pension, profit sharing, 401(k), bonus, life insurance or salary continuation plan, except to the extent specifically provided in such separate plan or agreement.

22. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee with respect to this Agreement and the Restricted Stock shall be binding and conclusive for all purposes and on all persons.

23. **Acceptance.** This Agreement is voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Employee by the Company. For avoidance of doubt, if this amended and restated Agreement is not accepted pursuant to the foregoing sentence, the previously executed version of this Agreement, dated as of the Award Date, shall continue to govern the Award in full force and effect pursuant to its terms.

Dated: as of the Restatement Date set forth above.

**M.D.C. HOLDINGS, INC.**

By: \_\_\_\_\_

Its \_\_\_\_\_

EMPLOYEE

[If handwritten signature:]

Signed: \_\_\_\_\_

[If electronic signature:]

I, the Employee, understand that clicking “ACCEPT” below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT]\_\_\_\_\_ I accept this amended and restated restricted stock agreement.

[REJECT]\_\_\_\_\_ I reject this amended and restated restricted stock agreement.



**M.D.C. HOLDINGS, INC.  
2011 EQUITY INCENTIVE PLAN**

**AMENDED AND RESTATED  
PERFORMANCE SHARE UNIT GRANT AGREEMENT**

The Compensation Committee (the “Committee”) of M.D.C. Holdings, Inc., a Delaware corporation (the “Company”), awards performance share units (“PSUs”) under the Company’s 2011 Equity Incentive Plan (the “Plan”) to the Employee named below. This Amended and Restated Performance Share Unit Grant Agreement (the “Agreement”) evidences the terms and conditions of the Company’s award and the PSUs constitute “qualified performance based compensation and other stock-based awards” under Sections 9 and 10 of the Plan. This Agreement was originally effective as of the Award Date set forth below, and, subject to Section 22 below, is now amended and restated in its entirety effective as of November \_\_, 2020 (the “Restatement Date”).

**A. NOTICE OF AWARD**

**Name of Employee:** \_\_\_\_\_

**Target Number of Performance Share Units Granted:** \_\_\_\_ (“Target PSUs”)

**Award Date:** \_\_\_\_\_

**Performance Period:** \_\_\_\_\_ through \_\_\_\_\_

**Base Period:** \_\_\_\_\_ through \_\_\_\_\_

**Performance Goal:** The award will be earned based upon the Company’s performance, over a three-year period, measured by increasing home sale revenues, while maintaining a minimum average gross margin from home sales percentage (excluding impairments) of at least fifteen percent (15%) over the Performance Period (this later requirement being referenced as the “GSM Condition”).

The average annual increase in the Company’s home sale revenues will be calculated: (1) by aggregating the sum of the home sale revenues reported by the Company for the Performance Period in the Company’s regularly prepared financial statements [(which may be unaudited for the quarter ending \_\_\_\_\_)] [NTD – Bracketed language from 2018 LAM Grant Agreement] as filed with the Securities and Exchange Commission (the “SEC”); (2) dividing by three; and (3) then computing the amount of the percentage increase, if any, when compared to the home sale revenues for the Base Period in the amount of \$\_\_\_\_\_.

**Vesting of PSUs:** Subject to the terms of this Agreement, PSU’s will vest when the Committee has certified (which certification shall be made as soon as reasonably possible after the end of the Performance Period but in no event later than the tenth business day following the filing with the SEC of the Company’s Form 10-\_\_ for the [year/quarter] ended \_\_\_\_\_) that: (a) the Employee has been in continuous employment with the Company or any Affiliate up to and including the last day of the Performance Period (except as otherwise provided below); (b) the Company has filed its financial statements with the SEC for the Performance Period (to and including, the period ending \_\_\_\_\_); and (c) the Performance Goal and any other material terms were satisfied, based on a certification the Committee has received from the Company attesting to the satisfaction of the material terms and conditions of this Agreement and the amount of the award that had been earned based upon attainment of the GSM Condition and achievement of the Performance Goal in accordance with the following table:

Threshold	Target	Maximum
Average increased home sale revenues during Performance Period over Base Period of at least 5%	Average increased home sale revenues during Performance Period over Base Period of at least 10%	Average increased home sale revenues during Performance Period over Base Period of 20% or more

<b>50% of Target PSUs Vested</b>	<b>100% of Target PSUs Vested</b>	<b>200% of Target PSUs Vested</b>
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The number of PSUs to be vested shall be adjusted to be proportional to the partial performance between Threshold, Target and Maximum amounts. Any fractional PSUs will be rounded down to the nearest whole number. Any PSU's that do not vest pursuant to the provisions of this Agreement will be forfeited and canceled.

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## B. PERFORMANCE SHARE UNIT GRANT AGREEMENT

1. **Award.** Subject to the terms and conditions of this Agreement and the Plan, as an inducement to Employee to continue employment with the Company, the Company awards to Employee effective as of the Award Date the number of Target PSUs as set forth in the Notice of Award on the cover page of this Agreement, subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Plan.
2. **Type of Award.** This is an award of performance share units.
3. **Performance Share Units.** Each PSU represents the conditional right to receive one share of the Company's Common Stock (the "Stock"), subject to the terms and conditions set forth in this Agreement. The number of PSUs that actually vest for the Performance Period will be determined by the level of achievement of the Performance Goal.
4. **Requirements for Vesting of PSUs.** Except as otherwise provided in Section 5, Section 6, or in the Plan, the PSUs shall vest in accordance with and upon satisfaction of the requirements set forth in Part A (Vesting of PSUs).
5. **Termination of Continuous Service.** If the Employee's Service terminates for any reason at any time during the Performance Period, the unvested PSUs shall be automatically forfeited and cancelled upon such termination of Service and the Company shall not have any further obligations to Employee under this Agreement; provided, however, that in the event of the Employee's Retirement (as defined in Section 4(a)(v) of the Employee's Employment Agreement with the Company dated October 26, 2020 (as amended from time to time, the "Employment Agreement")), death, presumed death, the Employee becoming Totally Disabled (as defined in Section 3(f)(i) of the Employment Agreement), termination of the Employee's employment by the Company without Cause (as defined in Section 4(a)(ii) of the Employment Agreement) (which includes a non-renewal by the Company of the Employment Agreement for each Additional Term, as defined in Section 2 of the Employment Agreement) or termination by the Employee for Good Reason (as defined in Section 4(a)(iv) of the Employment Agreement), or in the event of a Change in Control (as defined in Section 4(a)(iii) of the Employment Agreement) following which the employment of the Employee is terminated by the Company, the PSUs will become 100% vested at the Maximum level as of the date of termination, death, presumed death, or becoming Totally Disabled, as applicable; *provided, further; however,* with respect to PSU awards that are outstanding on a Termination Date (as defined in Section 3(c) of the Employment Agreement) caused by the Employee's Retirement, the number of shares to be issued and delivered to the Employee, if any, for such outstanding PSUs will be determined at the end of the three-year performance period in which such Retirement occurs, as certified by the Committee, and will be issued and paid to the Employee as though he continued to be employed through the end of the performance period.
6. *[Intentionally left blank.]*
7. **Leave of Absence.** For purposes of the Award, continuous Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating ninety (90) days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when

the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

8. **Settlement of Vested PSUs.** Except as other provided herein, at the end of the Performance Period, the Employee (or, in the event of the Employee's death, the Employee's beneficiary) will receive one (1) share of Stock for each PSU that vests in accordance with this Award Agreement. Except as provided in Section 5 above, PSU's settled under this Award Agreement are intended to be exempt from Code Section 409A under the exemption for short term deferrals. Accordingly, except as provided in Section 16.10 of the Plan, PSU's will be settled in shares of Stock promptly but in no later than the tenth business day following the filing with the SEC of the Company's Form 10-\_\_ for the [quarter/year] ended as of the end of the Performance Period.

9. **Tax Withholding.** The Company or any Affiliate shall have the right to deduct from payments of any kind otherwise due to Employee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of shares with respect to vested PSUs. The Company may withhold taxes from any payments or shares due to Employee or Employee may deliver a check to the Company. Subject to the prior approval of the Company, which may be withheld by the Company, in its sole discretion, Employee may elect to have shares of Stock withheld or to satisfy the minimum statutory withholding obligations, in whole or in part, by delivering to the Company shares of Stock already owned by Employee (for at least six months or any other minimum period required by the Company). The shares withheld or delivered shall have an aggregate Fair Market Value not in excess of the minimum statutory total tax withholding obligations. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined ("Tax Date"). Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements. Any election must be made prior to the Tax Date, shall be irrevocable, made in writing, signed by Employee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

10. **Investment Representations.** The Committee may require Employee (or Employee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

11. **Continued Service.** Neither the Award of PSUs nor this Agreement gives Employee the right to continue Service with the Company or its Affiliates in any capacity. The Company and its Affiliates reserve the right to terminate Employee's Service at any time and for any reason not prohibited by law.

12. **Stockholder Rights.** Unless and until shares of the Stock are issued to Employee pursuant to this Agreement, the Employee shall have no rights of a stockholder with respect to the shares of Stock reflected by the PSU.

13. **Adjustments.** The number of PSUs granted under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's stockholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of PSUs subject to this Agreement. Any fractional amounts will be rounded down to the nearest whole number of PSUs.

14. **Additional Requirements.** Employee acknowledges that shares of Stock issued with respect to vested PSUs may bear such legends as the Company deems appropriate to comply with applicable federal, state or other securities laws. No shares shall be issued or delivered pursuant to this Agreement unless there shall have been compliance with all applicable requirements of federal, state and other securities laws, all applicable listing requirements of the New York Stock Exchange, if applicable, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery. In connection therewith and prior to the issuance of the shares, Employee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

15. **Governing Law.** The validity and construction of this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive laws of any other jurisdiction.

16. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This amended and restated Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and, subject to Section 22 below, supersedes the previously executed version of this Agreement, dated as of the Award Date.

17. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

18. **2011 Equity Incentive Plan; Clawback Policy.** The Award and shares of Stock reflected by the Award shall be subject to: (a) such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee; and (b) the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015.

19. **Headings; Construction.** The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

20. **Other Employee Benefits.** The amount of any compensation deemed to be received by Employee as a result of this Agreement and the issuance of shares of Stock hereunder, shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of Employee are determined, including without limitation benefits under any pension, profit sharing, 401(k), bonus, life insurance or salary continuation plan, except to the extent specifically provided in such separate plan or agreement.

21. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and

other actions of the Committee with respect to this Agreement and the PSUs shall be binding and conclusive for all purposes and on all persons.

22. **Acceptance.** This Agreement is voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Employee by the Company. For the avoidance of doubt, if this amended and restated Agreement is not accepted pursuant to the foregoing sentence, the previously executed version of this Agreement, dated as of the Award Date, shall continue to govern the Award in full force and effect pursuant to its terms.

Dated: as of the Restatement Date set forth above.

**M.D.C. HOLDINGS, INC.**

By: \_\_\_\_\_  
Its \_\_\_\_\_

EMPLOYEE

Signed: \_\_\_\_\_

**M.D.C. HOLDINGS, INC.  
2011 EQUITY INCENTIVE PLAN**

**AMENDED AND RESTATED  
PERFORMANCE SHARE UNIT GRANT AGREEMENT**

The Compensation Committee (the “Committee”) of M.D.C. Holdings, Inc., a Delaware corporation (the “Company”), awards performance share units (“PSUs”) under the Company’s 2011 Equity Incentive Plan (the “Plan”) to the Employee named below. This Amended and Restated Performance Share Unit Grant Agreement (the “Agreement”) evidences the terms and conditions of the Company’s award and the PSUs constitute “qualified performance based compensation and other stock-based awards” under Sections 9 and 10 of the Plan. This Agreement was originally effective as of the Award Date set forth below, and, subject to Section 22 below, is now amended and restated in its entirety effective as of \_\_\_\_\_ (the “Restatement Date”).

**A. NOTICE OF AWARD**

**Name of Employee:** \_\_\_\_\_

**Target Number of Performance Share Units Granted:** \_\_\_\_ (“Target PSUs”)

**Award Date:** \_\_\_\_\_

**Performance Period:** \_\_\_\_\_ through \_\_\_\_\_

**Base Period:** \_\_\_\_\_ through \_\_\_\_\_

**Performance Goal:** The award will be earned based upon the Company’s performance, over a three-year period, measured by increasing home sale revenues, while maintaining a minimum average gross margin from home sales percentage (excluding impairments) of at least fifteen percent (15%) over the Performance Period (this later requirement being referenced as the “GSM Condition”).

The average annual increase in the Company’s home sale revenues will be calculated: (1) by aggregating the sum of the home sale revenues reported by the Company for the Performance Period in the Company’s regularly prepared financial statements [(which may be unaudited for the quarter ending \_\_\_\_\_)] [NTD – Bracketed language from 2018 RNM Grant Agreement] as filed with the Securities and Exchange Commission (the “SEC”); (2) dividing by three; and (3) then computing the amount of the percentage increase, if any, when compared to the home sale revenues for the Base Period in the amount of \$\_\_\_\_\_.

**Vesting of PSUs:** Subject to the terms of this Agreement, PSU’s will vest when the Committee has certified (which certification shall be made as soon as reasonably possible after the end of the Performance Period but in no event later than the tenth business day following the filing with the SEC of the Company’s Form 10-\_\_ for the [year/quarter] ended \_\_\_\_\_) that: (a) the Employee has been in continuous employment with the Company or any Affiliate up to and including the last day of the Performance Period (except as otherwise provided below); (b) the Company has filed its financial statements with the SEC for the Performance Period (to and including, the period ending \_\_\_\_\_); and (c) the Performance Goal and any other material terms were satisfied, based on a certification the Committee has received from the Company attesting to the satisfaction of the material terms and conditions of this Agreement and the amount of the award that had been earned based upon attainment of the GSM Condition and achievement of the Performance Goal in accordance with the following table:

Threshold	Target	Maximum
Average increased home sale revenues during Performance Period over Base Period of at least 5%	Average increased home sale revenues during Performance Period over Base Period of at least 10%	Average increased home sale revenues during Performance Period over Base Period of 20% or more

<b>50% of Target PSUs Vested</b>	<b>100% of Target PSUs Vested</b>	<b>200% of Target PSUs Vested</b>
----------------------------------	-----------------------------------	-----------------------------------

The number of PSUs to be vested shall be adjusted to be proportional to the partial performance between Threshold, Target and Maximum amounts. Any fractional PSUs will be rounded down to the nearest whole number. Any PSU's that do not vest pursuant to the provisions of this Agreement will be forfeited and canceled.



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## B. PERFORMANCE SHARE UNIT GRANT AGREEMENT

1. **Award.** Subject to the terms and conditions of this Agreement and the Plan, as an inducement to Employee to continue employment with the Company, the Company awards to Employee effective as of the Award Date the number of Target PSUs as set forth in the Notice of Award on the cover page of this Agreement, subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Plan.
2. **Type of Award.** This is an award of performance share units.
3. **Performance Share Units.** Each PSU represents the conditional right to receive one share of the Company's Common Stock (the "Stock"), subject to the terms and conditions set forth in this Agreement. The number of PSUs that actually vest for the Performance Period will be determined by the level of achievement of the Performance Goal.
4. **Requirements for Vesting of PSUs.** Except as otherwise provided in Section 5, Section 6, or in the Plan, the PSUs shall vest in accordance with and upon satisfaction of the requirements set forth in Part A (Vesting of PSUs).
5. **Termination of Continuous Service.** If the Employee's Service terminates for any reason at any time during the Performance Period, the unvested PSUs shall be automatically forfeited and cancelled upon such termination of Service and the Company shall not have any further obligations to Employee under this Agreement; provided, however that:
  - a. if the Employee's Service terminates during the Performance Period as a result of the Employee's death or Disability, the PSUs will become 100% vested at the Maximum level as of the date of death or Disability; and
  - b. if the Employee's Service terminates during the Performance Period as a result of termination by the Company without Cause or termination by Employee for Good Reason (as defined in the Plan), the PSUs will become 100% vested at the Maximum level as of the date of termination.
6. **Change in Control.** Upon the occurrence of a "Change in Control Event," as such term is defined in the Employment or Change in Control Agreement between the Company and the Employee as in effect on the Award Date, the PSUs will become 100% vested at the Maximum level as of the date of such Change in Control Event.
7. **Leave of Absence.** For purposes of the Award, continuous Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating ninety (90) days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when

the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

8. **Settlement of Vested PSUs.** Except as other provided herein, at the end of the Performance Period, the Employee (or, in the event of the Employee's death, the Employee's beneficiary) will receive one (1) share of Stock for each PSU that vests in accordance with this Award Agreement. Except as provided in Section 5 above, PSU's settled under this Award Agreement are intended to be exempt from Code Section 409A under the exemption for short term deferrals. Accordingly, except as provided in Section 16.10 of the Plan, PSU's will be settled in shares of Stock promptly but in no later than the tenth business day following the filing with the SEC of the Company's Form 10-\_\_ for the [quarter/year] ended as of the end of the Performance Period.

9. **Tax Withholding.** The Company or any Affiliate shall have the right to deduct from payments of any kind otherwise due to Employee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of shares with respect to vested PSUs. The Company may withhold taxes from any payments or shares due to Employee or Employee may deliver a check to the Company. Subject to the prior approval of the Company, which may be withheld by the Company, in its sole discretion, Employee may elect to have shares of Stock withheld or to satisfy the minimum statutory withholding obligations, in whole or in part, by delivering to the Company shares of Stock already owned by Employee (for at least six months or any other minimum period required by the Company). The shares withheld or delivered shall have an aggregate Fair Market Value not in excess of the minimum statutory total tax withholding obligations. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined ("Tax Date"). Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements. Any election must be made prior to the Tax Date, shall be irrevocable, made in writing, signed by Employee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

10. **Investment Representations.** The Committee may require Employee (or Employee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

11. **Continued Service.** Neither the Award of PSUs nor this Agreement gives Employee the right to continue Service with the Company or its Affiliates in any capacity. The Company and its Affiliates reserve the right to terminate Employee's Service at any time and for any reason not prohibited by law.

12. **Stockholder Rights.** Unless and until shares of the Stock are issued to Employee pursuant to this Agreement, the Employee shall have no rights of a stockholder with respect to the shares of Stock reflected by the PSU.

13. **Adjustments.** The number of PSUs granted under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's stockholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of PSUs subject to this Agreement. Any fractional amounts will be rounded down to the nearest whole number of PSUs.

14. **Additional Requirements.** Employee acknowledges that shares of Stock issued with respect to vested PSUs may bear such legends as the Company deems appropriate to comply with applicable federal, state or other securities laws. No shares shall be issued or delivered pursuant to this Agreement unless there shall have been compliance with all applicable requirements of federal, state and other securities laws, all applicable listing requirements of the New York Stock Exchange, if applicable, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery. In connection therewith and prior to the issuance of the shares, Employee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

15. **Governing Law.** The validity and construction of this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive laws of any other jurisdiction.

16. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This amended and restated Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and, subject to Section 22 below, supersedes the previously executed version of this Agreement, dated as of the Award Date.

17. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

18. **2011 Equity Incentive Plan; Clawback Policy.** The Award and shares of Stock reflected by the Award shall be subject to: (a) such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee; and (b) the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015.

19. **Headings; Construction.** The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

20. **Other Employee Benefits.** The amount of any compensation deemed to be received by Employee as a result of this Agreement and the issuance of shares of Stock hereunder, shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of Employee are determined, including without limitation benefits under any pension, profit sharing, 401(k), bonus, life insurance or salary continuation plan, except to the extent specifically provided in such separate plan or agreement.

21. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and

other actions of the Committee with respect to this Agreement and the PSUs shall be binding and conclusive for all purposes and on all persons.

22. **Acceptance.** This Agreement is voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Employee by the Company. For the avoidance of doubt, if this amended and restated Agreement is not accepted pursuant to the foregoing sentence, the previously executed version of this Agreement, dated as of the Award Date, shall continue to govern the Award in full force and effect pursuant to its terms.

Dated: as of the Restatement Date set forth above.

**M.D.C. HOLDINGS, INC.**

By: \_\_\_\_\_  
Its \_\_\_\_\_

EMPLOYEE

Signed: \_\_\_\_\_

**AMENDMENT to the M.D.C. HOLDINGS, INC.  
2018 EXECUTIVE OFFICER  
PERFORMANCE-BASED COMPENSATION PLAN**

**October 26, 2020**

WHEREAS, the Compensation Committee (the “Committee”) of the Board of Directors of M.D.C. Holdings, Inc., (the “Company”) originally established the M.D.C. Holdings, Inc. 2018 Executive Officer Performance-Based Compensation Plan (as amended from time to time, the “Plan”) effective as of December 10, 2018.

WHEREAS, Article V.A of the Plan provides that the Plan may be amended at any time by the Committee or the Company with or without the consent of any Covered Employees (as such term is defined in the Plan).

WHEREAS, the Committee desires to amend the Plan to update the title of each Covered Employee to reflect his current title as of October 26, 2020.

NOW THEREFORE, the Committee hereby amends the Plan by the adoption of the following amendment:

**I. Effective October 26, 2020, Article II.A of the Plan is amended in its entirety to read as follows:**

A. “Covered Employees” shall mean the following individuals entitled to compensation payments under the Plan: Larry A. Mizel, the Company’s Executive Chairman, and David D. Mandarich, the Company’s President and Chief Executive Officer.

Except as amended above, the Committee hereby re-adopts, re-affirms and re-declares each and every provision of the Plan.

IN WITNESS WHEREOF, the following officer, being duly authorized by the Committee, hereby approves and adopts this Amendment as of the date set forth below.

M.D.C. Holdings, Inc.

By: /s/ Robert N. Martin

Title: Senior Vice President

Date: January 8, 2021

## CHANGE IN CONTROL AGREEMENT

AGREEMENT, dated as of July 15, 2020, by and between M.D.C. Holdings, Inc. (the "Company"), and Rebecca Givens (the "Employee").

WHEREAS, the Employee currently is employed by the Company as Senior Vice President – Legal and the Employee is willing to continue to serve in the employ of the Company; and

WHEREAS, the Company desires to provide additional compensation to the Employee in the form of certain termination benefits, but only in the event of a "Change in Control" of the Company as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter set forth, the Company and the Employee agree as follows:

1. Term. The term of this Agreement shall begin on July 15, 2020 and shall continue until the earlier of the date of termination of Employee's employment, including pursuant to Section 3 below or December 31, 2021; provided, however, that, unless either party otherwise elects by notice in writing delivered to the other by September 30, 2021, or at least 90 days prior to December 31 of each subsequent year, such term automatically shall be renewed for successive one-year terms ending on December 31 of each successive year, and provided, further, that if this Agreement has not terminated prior to a Change in Control, then upon a Change in Control the term of this Agreement shall automatically extend for a period of two years following such Change in Control (the "Agreement Term"). The Company and Employee each acknowledge that the Employee's employment by the Company is and shall remain at will, and that this Agreement shall only govern termination benefits in the event of a Change in Control.

2. Consideration. In addition to all compensation and benefits currently provided or in the future to be provided to the Employee pursuant to the Employee's employment by the Company, upon the occurrence of a "Change in Control" as defined in Appendix A to this Agreement the Employee shall be entitled to receive termination of employment benefits as provided in Section 3 hereof.

3. Termination Upon Change in Control

(a) If a Change in Control occurs, all options, dividend equivalents and other rights granted to the Employee under any Company equity incentive plans shall be accelerated and shall become exercisable immediately prior to the closing of the Change in Control so as to permit the Employee fully to exercise all outstanding options and rights. If the Change in Control is not consummated, the Employee's election to exercise such options and rights pursuant hereto shall be of no effect and the Employee's options shall remain subject to the restrictions to which they were originally subject.

(b) If a "Change in Control Event" (as defined in Appendix A to this Agreement) occurs, the Employee shall, if the Employee so elects by written notice to the Company within 90 days after such Change in Control Event, be entitled to terminate the

Employee's employment, if not already terminated by the Company, and in either event to receive an amount equal to the product of two times the sum of (i) Employee's annual base salary at the rate in effect immediately before the Change in Control Event and (ii) an amount equal to Employee's last regular annual bonus (provided that for purposes hereof such regular annual bonus amount shall not exceed 50% of Employee's annual base salary at the rate in effect immediately before the Change in Control Event).

(c) If a Change in Control Event occurs, the Employee shall also be entitled to continue to participate in each of the Company's employee benefit plans, policies or arrangements which provide insurance and medical benefits on the same basis as was provided to the Employee prior to the Change in Control Event for a period of twelve months after the date of termination of Employee's employment.

(d) Change in Control Payments.

(i) The payments set forth in this Agreement shall be in addition to any payments that otherwise would be payable to the Employee pursuant to any agreement, benefit plan, severance policy or similar plan of the Company.

(ii) Notwithstanding anything to the contrary herein, if the aggregate amounts payable pursuant to Sections 3 (a), (b) and (c) hereof, either alone or together with any other payments which the Employee has the right to receive either directly or indirectly from the Company or any of its affiliates, would be subject to an excise tax as an "excess parachute payment" under Section 4999 of the Internal Revenue Code, the Employee hereby agrees that such aggregate amounts payable hereunder shall be paid in annual installments over the shortest period of time over which such aggregate amounts may be paid and not be treated as "excess parachute payments" under Section 4999. All determinations called for in this Section 3(d)(ii) shall be made by an independent public accounting firm with a national reputation as shall be selected by the Company. The Company shall bear all costs associated with obtaining such determinations.

(iii) The amounts payable pursuant to this Section 3 shall be paid (or commence to be paid if payable in installments pursuant to Section 3(d)(ii) above) to the Employee not later than 10 days after the Employee's termination of employment.

4. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed in that State.

(b) Notices. Any notice, consent or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered by United States registered or certified mail, return receipt requested, to the parties at the following addresses or at such other address as a party may specify by notice to the other.

To the Employee:

Rebecca Givens  
4350 South Monaco Street  
Denver, Colorado 80237

To the Company:

M.D.C. Holdings, Inc.  
4350 South Monaco Street  
Denver, Colorado 80237  
Attention: President

(c) Entire Agreement; Amendment. This Agreement shall supersede any and all existing agreements between the Employee and the Company or any of its affiliates or subsidiaries relating to a change in control of the Company. It may not be amended except by a written agreement signed by both parties.

(d) Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(e) Assignment. Except as otherwise provided in this paragraph, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by the Employee, and shall be assignable by the Company only to any corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to which the Company may sell all or substantially all of its assets, and this Agreement must be so assigned by the Company to, and accepted as binding by such other corporation or entity in connection with any such reorganization, merger, consolidation or sale.

(f) Arbitration. As material consideration for entering into this Agreement, each of the Employee and the Company agrees that any controversy or claim arising out of or relating to this Agreement, or the breach thereof, or the Employee's employment with the Company, shall be settled by arbitration administered by the American Arbitration Association in accordance with the Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Both parties expressly agree that costs and attorneys fees related to any such arbitration shall be awarded to the prevailing party. Any arbitration commenced pursuant to this paragraph shall be conducted in the metropolitan area of Denver, Colorado.

(g) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.



IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement including Appendix A thereto as of the date first above written.

M.D.C. HOLDINGS, INC.

By: /s/ David D. Mandarich

Name: David D. Mandarich

Title: President

Employee

By: /s/ Rebecca B. Givens

Rebecca Givens

## APPENDIX A

This Appendix A is attached to and shall form a part of the Change in Control Agreement, dated as of July 15, 2020 (the "Agreement"), by and between M.D.C. HOLDINGS, INC. (the "Company"), and Rebecca Givens (the "Employee").

(a) For purposes of the Agreement, a "Change in Control Event" shall occur when a "Change in Control" (as defined in paragraph (b) below) is followed within two years by a "Material Change" (as defined in paragraph (c) below).

(b) A "Change in Control" shall occur if:

(i) a report on Schedule 13D is filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company (or one of its subsidiaries) or any employee benefit plan sponsored by the Company (or one of its subsidiaries), or any director of the Company as of the date of the Agreement, or an affiliate of such director, is the beneficial owner, directly or indirectly, of 50 percent or more of the combined voting power of the then-outstanding securities of the Company;

(ii) any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company (or one of its subsidiaries) or any employee benefit plan sponsored by the Company (or one of its subsidiaries), or any director of the Company as of the date of the Agreement, or an affiliate of such director, shall purchase securities, pursuant to a tender offer or exchange offer to acquire any common stock of the Company (or securities convertible into common stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50 percent or more of the combined voting power of the then-outstanding securities of the Company (as determined under paragraph (d) of Rule 13d-3 under the Exchange Act, in the case of rights to acquire common stock);

(iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company (1) in which the Company is not the continuing or surviving corporation, or (2) pursuant to which shares of common stock of the Company would be converted into cash, securities or other property, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or

(iv) there shall have been a change in a majority of the members of the Board of Directors of the Company within a twelve month period, unless the election or nomination for election by the Company's stockholders of each new director during such twelve month period was approved by the vote of two-thirds of the directors then still in office who were directors at the beginning of such twelve month period.

(c) A "Material Change" shall occur if:

(i) the Employee's employment by the Company is terminated without "Cause" (as defined in paragraph (d) below);

(ii) the Company makes any change in the Employee's duties or responsibilities from the position that the Employee occupied on July 15, 2020 or, if this Agreement has been renewed or extended, the date of the last renewal or extension, but only if such change would cause:

(A) the Employee to report to anyone other than the President of the Company, or, if this Agreement has been renewed or extended, the person to whom the Employee reported as of the date of the last renewal or extension,

(B) the Employee to no longer be Senior Vice President – Legal of the Company or its successor,

(C) even if the Employee maintains the position of Senior Vice President – Legal, the Employee's responsibilities to be reduced (without Employee's written permission) from those in effect on July 15, 2020 or the date of the last renewal or extension of this Agreement, as applicable, or

(D) the Employee's position with the Company to become one of materially lesser importance or scope;

(iii) the Company assigns or reassigns the Employee (without the Employee's written permission) to another place of employment which is more than 50 miles from the Employee's place of employment on July 15, 2020 or the date of the last renewal or extension of this Agreement, as applicable;

(iv) the Company reduces the Employee's Base Salary, annual or long-term incentive compensation or the manner in which such compensation is determined unless such reduction similarly applies to the ten officers of the Company having the highest annual base salaries; or

(v) a purchaser of all or substantially all of the Company's assets or any successor or assignee of the Company fails to assume the obligation of the Company under the Agreement.

(d) For purposes of the Agreement, "Cause" shall mean: (i) the Employee's willful refusal to perform material duties reasonably required or requested of Employee (other than as a result of total or partial incapacity due to physical or mental illness) for 30 days after having received written notice of such refusal from the Company and having failed to commence to perform such duties within such period, (ii) the Employee's commission of material acts of fraud, dishonesty or misrepresentation in the performance of Employee's duties for the Company, or (iii) any final, non-appealable conviction of the Employee for an act or acts on the Employee's part constituting a felony under the laws of the United States or any state thereof which results or was intended to result directly or indirectly in gain or personal enrichment by the Employee at the expense of the Company.

M.D.C. HOLDINGS, INC.

By: /s/ David D. Mandarich

Name: David D. Mandarich

Title: President

Employee

By: /s/ Rebecca B. Givens

Rebecca Givens

## EXHIBIT 21

### SUBSIDIARIES OF M.D.C. HOLDINGS, INC.

<i>Name</i>	<i>State of Organization</i>	<i>Doing Business As</i>
Allegiant Insurance Company, Inc., A Risk Retention Group	Hawaii	
American Home Insurance Agency, Inc.	Colorado	AHI Insurance Agency
American Home Title and Escrow Company	Colorado	
HomeAmerican Mortgage Corporation	Colorado	Home American Mortgage Corporation
M.D.C. Land Corporation	Colorado	MDC Land Flight Operations Co. Richmond Developments Limited
RAH Aviation, LLC	Colorado	
RAH of Florida, Inc.	Colorado	
Richmond American Construction, Inc.	Delaware	
Richmond American Homes Corporation	Colorado	
Richmond American Homes of Arizona, Inc.	Delaware	
Richmond American Homes of Colorado, Inc.	Delaware	
Richmond American Homes of Florida, LP	Colorado	
Richmond American Homes of Idaho, Inc. <i>(formerly known as Richmond American Homes of Illinois, Inc.)</i>	Colorado	
Richmond American Homes of Maryland, Inc.	Maryland	Richmond American Homes of California, Inc.
Richmond American Homes of Nevada, Inc.	Colorado	
Richmond American Homes of New Jersey, Inc.	Colorado	
Richmond American Homes of Oregon, Inc.	Colorado	
Richmond American Homes of Pennsylvania, Inc.	Colorado	
Richmond American Homes of Utah, Inc.	Colorado	
Richmond American Homes of Virginia, Inc.	Virginia	
Richmond American Homes of Washington, Inc.	Colorado	
Richmond American Homes Three, Inc.	Colorado	
Richmond American Homes Four, Inc.	Colorado	
Richmond American Homes Five, Inc.	Colorado	
Richmond American Homes Six, Inc.	Colorado	
Richmond American Homes Seven, Inc.	Colorado	
Richmond Realty, Inc.	Colorado	
Richmond Realty of Washington, Inc.	Colorado	
StarAmerican Insurance Ltd.	Hawaii	

## EXHIBIT 22

### SUBSIDIARY GUARANTORS

The following wholly-owned subsidiaries of M.D.C. Holdings, Inc. (the “Company”) have fully and unconditionally guaranteed the senior notes issued by the Company on a joint and several basis.

<i>Name</i>	<i>State of Organization</i>	<i>Doing Business As</i>
M.D.C. Land Corporation	Colorado	MDC Land Flight Operations Co. Richmond Developments Limited
RAH of Florida, Inc.	Colorado	
Richmond American Construction, Inc.	Delaware	
Richmond American Homes of Arizona, Inc.	Delaware	
Richmond American Homes of Colorado, Inc.	Delaware	
Richmond American Homes of Florida, LP	Colorado	
Richmond American Homes of Idaho, Inc. (formerly known as Richmond American Homes of Illinois, Inc.)	Colorado	
Richmond American Homes of Maryland, Inc.	Maryland	Richmond American Homes of California, Inc.
Richmond American Homes of Nevada, Inc.	Colorado	
Richmond American Homes of New Jersey, Inc.	Colorado	
Richmond American Homes of Oregon, Inc.	Colorado	
Richmond American Homes of Pennsylvania, Inc.	Colorado	
Richmond American Homes of Utah, Inc.	Colorado	
Richmond American Homes of Virginia, Inc.	Virginia	
Richmond American Homes of Washington, Inc.	Colorado	

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-232327) of M.D.C. Holdings, Inc. and in the related Prospectus for the registration of \$2,000,000,000 in common stock, preferred stock, and debt securities,

(2) Registration Statement (Form S-8 No. 333-174110, Form S-8 No. 333-188311, Form S-8 333-203863, Form S-8 No. 333-203864, Form S-8 No. 333-217796, and Form S-8 No. 333-231174) pertaining to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan and the M.D.C. Holdings, Inc. 2020 Equity Plan for Non-Employee Directors;

of our reports dated February 2, 2021, with respect to the consolidated financial statements of M.D.C. Holdings, Inc., and the effectiveness of internal control over financial reporting of M.D.C. Holdings, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Denver, Colorado

February 2, 2021

## CERTIFICATIONS

I, Larry A. Mizel, certify that:

1. I have reviewed this report on Form 10-K of M.D.C. Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2021

/s/ Larry A. Mizel

Executive Chairman  
(principal executive officer)



## CERTIFICATIONS

I, Robert N. Martin, certify that:

1. I have reviewed this report on Form 10-K of M.D.C. Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2021

/s/ Robert N. Martin

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Senior Vice President, Chief Financial Officer  
(principal financial officer)

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of M.D.C. Holdings, Inc. (the "Company") hereby certifies that the Report on Form 10-K of the Company for the period ended December 31, 2019 accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2021

/s/ Larry A. Mizel

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Larry A. Mizel  
Executive Chairman  
(principal executive officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of M.D.C. Holdings, Inc. (the "Company") hereby certifies that the Report on Form 10-K of the Company for the period ended December 31, 2019 accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2021

/s/ Robert N. Martin

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Robert N. Martin  
Senior Vice President, Chief Financial Officer  
(principal financial officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.