

MDC HOLDINGS INC  
Form 10-K  
February 03, 2016

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**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, 2015**

**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**

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

**(Exact name of Registrant as specified in its charter)**

Delaware  
(State or other jurisdiction of incorporation or organization)

84-0622967  
(I.R.S. Employer Identification No.)

4350 South Monaco Street, Suite 500  
Denver, Colorado  
(Address of principal executive offices)

80237  
(Zip code)

(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>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	New York Stock Exchange
5 % Senior Notes due February 2020	New York Stock Exchange
5½% Senior Notes due January 2024	
6% Senior Notes due January 2043	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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

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, 2015, the aggregate market value of the Registrants' common stock held by non-affiliates of the Registrants was \$1.2 billion based on the closing sales price of \$29.97 per share as reported on the New York Stock Exchange on June 30, 2015.

As of December 31, 2015, the number of shares outstanding of Registrant's common stock was 48,888,424.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of part III of this Form 10-K are incorporated by reference from the Registrant's 2016 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.

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**M.D.C. HOLDINGS, INC.****FORM 10-K****For the Year Ended December 31, 2015**

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**Table of Contents**

	<b>Page</b>
	<b><u>No.</u></b>
<b>PART I</b>	
ITEM 1.	
Business	
(a) General Development of Business	1
(b) Available Information	1
(c) Financial Information About Industry Segments	2
(d) Narrative Description of Business	2
ITEM 1A.	
Risk Factors	7
ITEM 1B.	
Unresolved Staff Comments	12
ITEM 2.	
Properties	13
ITEM 3.	
Legal Proceedings	13
ITEM 4.	
Mine Safety Disclosures	13
<b>PART II</b>	
ITEM 5.	
Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	14
ITEM 6.	
Selected Financial Data	16
ITEM 7.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	17
ITEM 7A.	
Quantitative and Qualitative Disclosures About Market Risk	42
ITEM 8.	
Consolidated Financial Statements	F-1
ITEM 9.	
	44

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Changes in and Disagreements With Accountants on Accounting and  
Financial Disclosure

ITEM 9A.	Controls and Procedures	44
ITEM 9B.	Other Information	46
<b>PART III</b>		
ITEM 10.	Directors, Executive Officers and Corporate Governance	46
ITEM 11.	Executive Compensation	46
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	46
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence	46
ITEM 14.	Principal Accountant Fees and Services	46
<b>PART IV</b>		
ITEM 15.	Exhibits and Financial Statement Schedules	47
<b>SIGNATURES</b>		52

(i)

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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 and Washington); (2) Mountain (includes operating segments located in Colorado and Utah); and (3) East (includes operating segments located in Virginia, Florida and Maryland, which includes Pennsylvania, and New Jersey).

Our financial services operations primarily 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 and most of our subcontractors for homes sold by our homebuilding subsidiaries and for work performed in completed subdivisions, (3) StarAmerican Insurance Ltd., which is a re-insurer on 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).

*(b) 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, <http://ir.richmondamerican.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 and Corporate Governance/Nominating Committees. These materials may also be obtained, free of charge, at <http://ir.richmondamerican.com> (select “Corporate Governance”).

*(c) Financial Information About Industry Segments*

Note 3 to the Consolidated Financial Statements contains information regarding our reportable segments for each of the years ended December 31, 2015, 2014 and 2013.

*(d) Narrative 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 2015, the percentage of our home deliveries and home sale and land sale revenues by state were as follows:

	Percentage of Deliveries		Percentage of Home Sale Revenues	
Arizona	17	%	12	%
California	16	%	20	%
Nevada	13	%	12	%
Washington	6	%	6	%
West	52	%	50	%
Colorado	27	%	30	%
Utah	4	%	3	%
Mountain	31	%	33	%
Maryland	5	%	5	%
Virginia	5	%	6	%
Florida	7	%	6	%
East	17	%	17	%
Total	100	%	100	%

Our financial services operations include subsidiary companies 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 Chief Executive Officer and Chief Operating Officer. Our organizational structure (i.e., the grouping and reporting of divisions) changes based upon the current needs of the Company. We had 13, 10 and 10 active homebuilding operating divisions at the end of each year ended December 31, 2015, 2014 and 2013, respectively.

*Corporate Management.* Our homebuilding business is managed primarily through members of senior management in our Corporate segment and our Asset Management Committees (“AMCs”). Each AMC is comprised of the Chief Operating Officer, Chief Financial Officer and one of our corporate officers. All real estate acquisition transactions are reviewed to confirm that the transaction is projected to achieve the land strategies set forth by our CODM and must be approved by one of the 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 “to be built homes”, also referred to as “dirt sales”, and limit the level of homes started without a contract.

*Land Acquisition and Development.* Our homebuilding subsidiaries acquire our 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, we do acquire entitled land for development into finished lots when we believe that the risk is justified. 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. Our homebuilding subsidiaries attempt to maintain a supply of finished lots sufficient to enable them to start homes promptly after a contract for a home sale is executed. See “**Forward-Looking Statements**” above.

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, 2015 and 2014, homes under contract but not yet delivered (“backlog”) totaled 2,332 and 1,519, respectively, with an estimated sales value of \$1.05 billion and \$663 million, respectively. We anticipate that homes in backlog at December 31, 2015 generally will close during 2016 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, 2015 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 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 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 home buyers 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 dealing with 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 Veterans Administration-guaranteed (“VA”) mortgages and is an authorized issuer of Government National Mortgage Association (“Ginnie Mae”) mortgage-backed securities. 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. Additionally, HomeAmerican is approved to sell loans to various private investors.

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 within 15 to 40 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, 2015 and 2014 had an aggregate principal balance of approximately \$98.4 million and \$42.8 million, respectively, and were under interest rate lock commitments at an average interest rate of 3.82% and 3.69%, 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.* Our insurance operations consist of three business divisions: (1) Allegiant; (2) StarAmerican; and (3) American Home Insurance.

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 and is a wholly-owned subsidiary of MDC. 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.

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

#### **Employees.**

The table below summarizes the approximate number of employees for our combined Homebuilding, combined Financial Services and Corporate segments at December 31, 2015 and 2014.

	December 31,	
	2015	2014
Homebuilding	906	843
Financial Services	110	104
Corporate	209	193



Total	1,225	1,140
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**Item 1A. Risk Factors.**

*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 both industry conditions and general economic conditions such as:

- employment levels;
  
- availability of financing for homebuyers;
  
- interest rates;
  
- consumer confidence;
  
- 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, 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, possibly resulting in the financial position, results of operations and cash flows of our mortgage operations being negatively impacted.

***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 continues to be 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 timely purchase land 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, and 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. 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 may be 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.

Beginning in 2014, new regulations took effect that, among other things, capped the fees and placed additional restrictions on what our mortgage company and its affiliates may collect, limit the types of loans our mortgage company may originate and place additional restrictions on loans that are sold to entities such as Fannie Mae, Freddie Mac, and Ginnie Mae, insured by the FHA or guaranteed by the VA. The ultimate impact of these changes remains uncertain and may have a negative impact on our financial position, results of operations and cash flows.

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.

***Expirations, amendments or 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 that currently benefit homebuyers, 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.

*Increases in our cancellations could have a negative impact on our business.*

Home order cancellations can result from a number of factors, including declines in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, homebuyers' inability to sell their existing homes, homebuyers' inability to obtain suitable financing or sufficient down payments, adverse changes in economic conditions and general buyer's remorse which can be driven by, but is not limited to, the factors previously mentioned.

Increased levels of home order cancellations could have a negative impact on our financial position, results of operations and cash flows.



***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 sales prices, levels of home sales incentives and home construction and land costs. Our home sales prices and/or levels of home sales 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 may have an adverse effect on the economies in certain markets we operate in and our cost of building homes.***

The economies of some of the markets in which we operate are impacted by the health of the energy industry. To the extent that energy prices significantly change, the economies of certain of our markets may be negatively impacted 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. Our public debt was downgraded by a rating agency in 2015. This, combined with any further 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, 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 turmoil caused by the increased number of defaults in subprime and other mortgages during the last industry downturn has encouraged ongoing consumer lawsuits and the investigation of financial services industry practices by governmental authorities. These investigations have included the examination of 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.***

We have a material 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 has become a critical 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 investors***

Larry A. Mizel and David D. Mandarich beneficially own, directly or indirectly through their affiliates, in the aggregate, approximately 25% 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. Circumstances may occur in which the interest of these shareholders could be in conflict with your interests. In addition, such persons may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment in us, even though such transactions may involve risks to you.

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

We and our financial services operations 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 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

12

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**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 some markets, our homebuilding divisions and other MDC subsidiaries lease additional office space. The table below outlines the number of office facilities that are leased and the approximate square footage leased in each market at December 31, 2015. While currently we are satisfied with the suitability and capacity of our office locations, we continue to evaluate them in view of market conditions and the size of our operations.

	Number of Leased Facilities	Total Square Footage Leased
Arizona	3	19,000
California	2	22,000
Colorado	3	153,000
Florida	3	21,000
Maryland	1	8,000
Nevada	1	16,000
Utah	1	6,000
Virginia	3	13,000
Washington	3	31,000
Total	20	289,000

**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, 2015, we had 583 shareholders of record. The shares of our common stock are traded on the New York Stock Exchange. The following table sets forth, for the periods indicated, the closing price ranges of our common stock.

	Three Months Ended			
	March 31	June 30	September 30	December 31
<b>2015</b>				
High	\$28.50	\$30.81	\$ 31.07	\$ 28.75
Low	24.42	26.84	26.04	24.60
<b>2014</b>				
High	\$32.04	\$30.29	\$ 30.42	\$ 26.66
Low	27.40	27.37	25.32	23.71

The table below sets forth the cash dividends declared and paid in 2015 and 2014. There were no dividends declared or paid for the year ended December 31, 2013 as we paid dividends of \$2.00 per share during the year ended December 31, 2012, \$1.00 of which was in lieu of declaring and paying regular quarterly dividends in calendar year 2013.

	Date of Declaration	Date of Payment	Dividend per Share	Total Dividends Paid (In thousands)
<b>2015</b>				
First Quarter	01/26/15	02/25/15	\$ 0.25	\$ 12,213
Second Quarter	04/27/15	05/27/15	0.25	12,212
Third Quarter	07/20/15	08/19/15	0.25	12,221
Fourth Quarter	10/19/15	11/18/15	0.25	12,222
			\$ 1.00	\$ 48,868
<b>2014</b>				
First Quarter	01/27/14	02/26/14	\$ 0.25	\$ 12,207
Second Quarter	04/28/14	05/28/14	0.25	12,205

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Third Quarter	07/21/14	08/20/14	0.25	12,204
Fourth Quarter	10/20/14	11/19/14	0.25	12,204
			\$ 1.00	\$ 48,820

There were no shares of MDC common stock repurchased during the years ended December 31, 2015, 2014 or 2013. At December 31, 2015, we were authorized to repurchase up to 4,000,000 shares of our common stock.

## 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 Standard & Poor's 500 Stock Index and with that of a peer group of other homebuilders over the five-year period ending on December 31, 2015, 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 Standard & Poor's 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., Pulte Homes, Inc., CalAtlantic Group, 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,				
	2015	2014	2013	2012	2011
	(Dollars in thousands, except per share amounts)				
<b>Income Statement Data</b>					
Home sale and land sale revenues	\$1,860,226	\$1,650,631	\$1,629,175	\$1,156,142	\$817,023
Financial services revenues	48,810	43,953	51,259	46,881	26,086
Total revenues	\$1,909,036	\$1,694,584	\$1,680,434	\$1,203,023	\$843,109
Homebuilding pretax income (loss) <sup>(2)(4)</sup>	\$70,441	\$75,804	\$100,323	\$32,617	\$(110,628 )
Financial services pretax income	30,983	24,671	29,502	28,498	3,156
Total income (loss) before income taxes	\$101,424	\$100,475	\$129,825	\$61,115	\$(107,472 )
Net income (loss) <sup>(2)(3)(4)</sup>	\$65,791	\$63,143	\$314,385	\$62,699	\$(98,390 )
Basic earnings (loss) per share	\$1.35	\$1.29	\$6.39	\$1.29	\$(2.12 )
Diluted earnings (loss) per share	\$1.34	\$1.29	\$6.34	\$1.29	\$(2.12 )
Weighted Average Common Shares					
Outstanding:					
Basic	48,764,396	48,615,541	48,453,119	47,660,629	46,796,334
Diluted	48,967,219	48,817,566	48,831,785	47,834,156	46,796,334
<b>Balance Sheet Data</b>					
Cash and cash equivalents	\$180,988	\$153,825	\$199,338	\$160,095	\$343,361
Marketable securities	\$103,694	\$156,140	\$588,067	\$551,938	\$519,943
Total inventories	\$1,763,962	\$1,667,960	\$1,411,661	\$1,002,521	\$806,052
Total assets <sup>(1)</sup>	\$2,415,899	\$2,351,456	\$2,589,619	\$1,942,800	\$1,855,490
Senior notes, net <sup>(1)(2)(4)</sup>	\$840,524	\$839,468	\$1,089,790	\$742,201	\$740,873
Mortgage repurchase facility	\$88,611	\$60,822	\$63,074	\$76,327	\$48,702
Stockholders' equity	\$1,256,292	\$1,228,336	\$1,213,249	\$880,897	\$868,636
Stockholders' equity per common share	\$25.70	\$25.15	\$24.87	\$18.09	\$18.11
Cash dividends declared per share <sup>(5)</sup>	\$1.00	\$1.00	\$-	\$2.00	\$1.00
<b>Operational Data</b>					
Homes delivered (units)	4,390	4,366	4,710	3,740	2,762
Average selling price	\$421	\$377	\$345	\$308	\$292
Net new orders (units)	5,203	4,623	4,327	4,342	2,887
Homes in backlog at period end (units)	2,332	1,519	1,262	1,645	1,043
Estimated backlog sales value at period end	\$1,054,000	\$663,000	\$506,000	\$579,000	\$330,000
Estimated average selling price of homes in backlog	\$452	\$437	\$401	\$352	\$316

Active subdivisions at period-end	167	159	146	148	187
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During 2015, we elected to early-adopt Accounting Standards Update 2015-03, *Interest—Imputation of Interest* (1)(Subtopic 835-30). Comparative financial statements of prior years have been adjusted to apply the new method retrospectively.

During 2014, we redeemed our 5 % Senior Notes due December 2014 and our 5 % Senior Notes due July 2015. As a result of these transactions, we paid \$517.7 million to extinguish \$500 million in debt principal and recorded a total of \$18.2 million in losses from early extinguishments of debt.

(3) Net income for the year ended December 31, 2013 includes the impact of a \$187.6 million reversal of the valuation allowance against our deferred tax asset in the 2013 second quarter.

During 2011, we completed a debt tender offer and redemptions of our 7% Senior Notes due 2012 and 5½% Senior Notes due 2013. As a result of these transactions, we paid \$537.7 million to extinguish \$500 million in debt principal and recorded a \$38.8 million expense for loss on extinguishment of debt.

(5) Total dividends declared per share for the year ended December 31, 2012 include \$1.00 per share representing the accelerated payment of dividends for 2013.

**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."

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands, except per share amounts)		
<b>Homebuilding:</b>			
Home sale revenues	\$1,847,889	\$1,647,398	\$1,626,707
Land sale revenues	12,337	3,233	2,468
Total home and land sale revenues	1,860,226	1,650,631	1,629,175
Home cost of sales	(1,539,396 )	(1,365,621 )	(1,336,978 )
Land cost of sales	(12,611 )	(2,559 )	(1,961 )
Inventory impairments	(9,993 )	(1,760 )	(919 )
Total cost of sales	(1,562,000 )	(1,369,940 )	(1,339,858 )
Gross margin	298,226	280,691	289,317
Gross margin %	16.0 %	17.0 %	17.8 %
Selling, general and administrative expenses	(226,317 )	(203,253 )	(213,283 )
Interest and other income	6,709	26,310	29,798
Interest expense	-	(685 )	(1,726 )
Other expense	(4,208 )	(4,813 )	(3,783 )
Losses from early extinguishments of debt	-	(18,153 )	-
Other-than-temporary impairment of marketable securities	(3,969 )	(4,293 )	-
Homebuilding pretax income	70,441	75,804	100,323
<b>Financial Services:</b>			
Revenues	48,810	43,953	51,259
Expenses	(21,572 )	(22,334 )	(25,271 )
Interest and other income	3,745	3,052	3,514
Financial services pretax income	30,983	24,671	29,502
Income before income taxes	101,424	100,475	129,825
Benefit from (provision for) income taxes	(35,633 )	(37,332 )	184,560
Net income	\$65,791	\$63,143	\$314,385
Earnings per share:			
Basic	\$1.35	\$1.29	\$6.39
Diluted	\$1.34	\$1.29	\$6.34



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Weighted average common shares outstanding:			
Basic	48,764,396	48,615,541	48,453,119
Diluted	48,967,219	48,817,566	48,831,785
Dividends declared per share	\$1.00	\$1.00	\$-
Cash provided by (used in):			
Operating Activities	\$215	\$(163,647 )	\$(269,549 )
Investing Activities	\$47,362	\$423,080	\$(30,402 )
Financing Activities	\$(20,414 )	\$(304,946 )	\$339,194

## EXECUTIVE SUMMARY

### *Overview*

### *Industry Conditions*

The homebuilding industry continued a slow but steady recovery in 2015, driven in part by positive movements in key macroeconomic drivers such as employment levels, consumer confidence and personal income levels. A limited supply of both new and existing single family home inventory, labor constraints on the production of new homes and low interest rates helped to drive increased home prices in most markets across the country, even though overall new home sales levels in the United States remained at a relatively low level by historical standards. We are optimistic about the possibility for growth in new home sales levels in 2016, based in part on an acceleration of household formations, birth rates and wage growth in 2015. However, our enthusiasm is somewhat tempered by uncertainty surrounding the impact of key domestic and global events that have unfolded in late 2015, such as the slowdown of economic growth in China, the significant drop in oil prices and the Federal Reserve's action to increase the federal funds rate for the first time in almost a decade.

### *Results for the Twelve Months Ended December 31, 2015*

For the year ended December 31, 2015, we reported net income of \$65.8 million, or \$1.34 per diluted share, compared to net income of \$63.1 million, or \$1.29 per diluted share for the year earlier period. The increase was primarily the result of a 12% improvement in home sale revenues and an \$18.2 million reduction in charges related to the early extinguishment of debt. These positive results were partially offset by an 80 basis point reduction in our gross margin from home sales and a \$19.6 million decrease in interest and other income. The decrease in interest and other income was due to year-over-year declines in both (1) our average marketable securities balance and (2) gains on sales of marketable securities as the volume of marketable securities sold decreased.

Home sale revenues were up 12% from \$1,647.4 million in 2014 to \$1,847.9 million in 2015. This \$200.5 million improvement was the result of a \$43,600 increase in our average selling price to \$420,900, mostly due to a mix shift to higher-priced communities and, to a lesser extent, price increases implemented in the first half of 2015. Our gross margin from home sales for 2015 was 16.2%, down 80 basis points from 2014 and due primarily to the impact of an \$8.2 million increase in inventory impairments and reduced margins during the 2015 first quarter as we focused our efforts on decreasing aged unsold home inventory levels.

Net new home orders increased by 13% as our monthly sales absorption pace and average active community count increased by 10% and 2% year-over-year, respectively. The improvement in our average active community count was driven by increased land acquisition efforts over the past two years while the increase in our monthly sales absorption pace was driven by an improvement in demand for new homes in many of our markets. We achieved the increase in sales absorption pace even though we have implemented price increases in most of our active communities throughout 2015. These price increases, coupled with a mix shift to higher priced communities, drove an 11% increase in our average price of net new home orders to \$440,000. As a result of the increase in both units and average selling price, the dollar value of our net new orders was up \$458.2 million, or 25%, from 2014.

Our financial services pretax income was \$31.0 million for the year ended December 31, 2015, a \$6.3 million, or 26% increase, from \$24.7 million for the year ended December 31, 2014. The increase was due to (1) an increase in the dollar value of loans locked, originated and sold, (2) higher per unit origination income, (3) increased gains on loans locked and sold compared to a year ago in our mortgage operations segment and (4) a \$2.5 million insurance reserves adjustment recorded during 2015 in our other financial services segment.

### *Outlook*

Our dollar value of homes in backlog is up 59% year-over-year to \$1.05 billion at December 31, 2015, which we believe has positioned us well for year-over-year topline growth for the 2016 full year. However, expectations from our significant increase in backlog, particularly for the 2016 first quarter, should be tempered somewhat as a result of our backlog consisting of a much higher percentage of dirt sales, which are generally in backlog for a longer period of time, the potential for delayed closings as a result of limited subcontractor availability in several markets, and an increased possibility for cancellations as a result of negative consequences from the key domestic and global events discussed above. With overall liquidity of over \$798.6 million, and no senior note maturities until 2020, we believe that our financial position at the end of 2015 provides the appropriate balance for us between supporting Company growth and providing protection from the volatile and cyclical nature of the housing market. See “**Forward-Looking Statements**” below.

*Homebuilding**Pretax Income (Loss)*

	Year Ended December 31,						2013
	2015	Change		2014	Change		
	Amount	Amount	%	Amount	Amount	%	
	(Dollars in thousands)						
West	\$64,627	\$1,556	2 %	\$63,071	\$(2,601)	(4)%	\$65,672
Mountain	52,707	13,364	34 %	39,343	(13,049)	(25)%	52,392
East	(6,033)	(16,763)	(156)%	10,730	(8,860)	(45)%	19,590
Corporate	(40,860)	(3,520)	9 %	(37,340)	(9)	0 %	(37,331)
Total homebuilding pretax income	\$70,441	\$(5,363)	(7)%	\$75,804	\$(24,519)	(24)%	\$100,323

Homebuilding pretax income for 2015 was \$70.4 million, a decrease of \$5.4 million from \$75.8 million for the year ended December 31, 2014. Our homebuilding pretax income for the year benefited from a 12% improvement in home sale revenues and an \$18.2 million reduction in charges related to the early extinguishment of debt. However, our results were negatively impacted by an 80 basis point reduction in our gross margin from homes sales and a \$19.6 million decrease in interest and other income. The decrease was due to year-over-year declines in both (1) our average marketable securities balance and (2) gains on sales of marketable securities as the volume of marketable securities sold decreased.

Our Mountain segment had a \$13.4 million year-over-year improvement in pretax income for 2015, due primarily to a 14% increase in home sale revenues coupled with an improved gross margin from home sales percentage. In our West segment, a \$1.6 million increase in pretax income was the result of a 19% increase in home sale revenues that was mostly offset by a decline in gross margin from home sales percentage. The \$16.8 million decline in pretax income in our East segment was primarily due to a 6% reduction in home sale revenues, a decline in our gross margin from home sales percentage, driven mostly by a \$7.5 million increase in inventory impairments, and an increase in our selling, general and administrative (“SG&A”) expenses as a percentage of home sale revenues (“SG&A rate”) resulting from higher net legal expenses as a result of a reduction in legal recoveries in 2015. The additional \$3.5 million of pretax loss in our Corporate segment was primarily due to the \$19.6 million decrease in interest and other income discussed above and an increase in stock based compensation expense related to a non-qualified stock option grant covering one million shares to each of our Chief Executive Officer and Chief Operating Officer.

Homebuilding pretax income was \$75.8 million for the year ended December 31, 2014, a decrease of \$24.5 million from \$100.3 million for the year ended December 31, 2013. The decrease was primarily driven by an 80 basis point decline in our gross margin from home sales, debt extinguishment charges of \$18.2 million, a \$4.3 million other-than-temporary impairment (the “OTTI”) and a \$3.5 million reduction in interest and other income. These items were partially offset by an 80 basis point improvement in our SG&A rate. The decline in pretax income for our East

segment was primarily the result of a 17% year-over-year decline in the number of homes delivered, partially offset by a \$3.6 million decrease in legal expenses, while the decline in our Mountain segment was primarily the result of a decrease in our gross margin from home sales and an 11% decline in deliveries. Our Corporate segment included \$18.2 million in debt extinguishment charges, but was largely offset by \$14.3 million in lower incentive-based compensation and post-retirement benefit expenses for certain of our executive officers.

*Assets*

	December 31,		Change	
	2015	2014	Amount	%
	(Dollars in thousands)			
West	\$991,393	\$893,970	\$97,423	11 %
Mountain	536,831	516,971	19,860	4 %
East	324,457	343,718	(19,261)	(6 )%
Corporate	393,712	458,386	(64,674)	(14)%
Total homebuilding assets	\$2,246,393	\$2,213,045	\$33,348	2 %

Homebuilding assets increased slightly during the year ended December 31, 2015. Our West segment had an increase in homebuilding assets as a result of an increase in homes in backlog in addition to significant investments in land inventory, while the increase in our Mountain segment was mostly due to an increase in backlog. Homebuilding assets in our East segment were down as a result of inventory impairments and a significant year-over-year decline in unsold homes. These declines were partially offset by an increase in the East segment's land and land under development balance as our land acquisition efforts more than outpaced our home construction starts, which were down, in spite of an 8% increase in net new home sales, as a result of a substantial decline in the number of unsold homes started. The funds for these investments came from our Corporate segment, driving a significant portion of the \$64.7 million decline in Corporate segment assets. In addition, our Corporate segment's homebuilding assets decreased as we utilized all remaining federal net operating loss carryforwards during 2015 to offset primarily all of our taxable income.

*Revenues*

	Year Ended December 31,			Change			2013
	2015	Change Amount	%	2014	Change Amount	%	
	(Dollars in thousands)						
West	\$915,259	\$145,208	19 %	\$770,051	\$98,773	15 %	\$671,278
Mountain	609,002	74,758	14 %	534,244	(12,557)	-2 %	546,801
East	335,965	(10,371)	(3 )%	346,336	(64,760)	(16)%	411,096
Total home and land sale revenues	\$1,860,226	\$209,595	13 %	\$1,650,631	\$21,456	1 %	\$1,629,175

Home and land sale revenues increased \$209.6 million for the year ended December 31, 2015, due primarily to a 12% increase in the average selling price of new home deliveries. For the year ended December 31, 2014, home and land sale revenues were nearly flat compared to 2013 due to a 9% increase in the average selling price which was mostly offset by a 7% decrease in homes delivered.



*New Home Deliveries:*

	Year Ended December 31, 2015			2014			% Change			
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	
	(Dollars in thousands)									
Arizona	753	\$220,140	\$292.4	731	\$200,994	\$275.0	3 %	10 %	6 %	
California	706	370,603	524.9	624	296,189	474.7	13 %	25 %	11 %	
Nevada	575	215,479	374.7	564	176,371	312.7	2 %	22 %	20 %	
Washington	270	109,038	403.8	267	96,496	361.4	1 %	13 %	12 %	
West	2,304	915,260	397.2	2,186	770,050	352.3	5 %	19 %	13 %	
Colorado	1,192	553,573	464.4	1,172	478,669	408.4	2 %	16 %	14 %	
Utah	149	52,794	354.3	165	53,136	322.0	(10)%	(1) %	10 %	
Mountain	1,341	606,367	452.2	1,337	531,805	397.8	0 %	14 %	14 %	
Maryland	215	103,148	479.8	305	144,695	474.4	(30)%	(29) %	1 %	
Virginia	216	105,593	488.9	234	115,001	491.5	(8) %	(8) %	(1) %	
Florida	314	117,521	374.3	304	85,847	282.4	3 %	37 %	33 %	
East	745	326,262	437.9	843	345,543	409.9	(12)%	(6) %	7 %	
Total	4,390	\$1,847,889	\$420.9	4,366	\$1,647,398	\$377.3	1 %	12 %	12 %	

	Year Ended December 31, 2014			2013			% Change			
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	
	(Dollars in thousands)									
Arizona	731	\$200,994	\$275.0	635	\$156,308	\$246.2	15 %	29 %	12 %	
California	624	296,189	474.7	643	243,804	379.2	(3) %	21 %	25 %	
Nevada	564	176,371	312.7	593	163,127	275.1	(5) %	8 %	14 %	
Washington	267	96,496	361.4	333	108,038	324.4	(20)%	(11) %	11 %	
West	2,186	770,050	352.3	2,204	671,277	304.6	(1) %	15 %	16 %	
Colorado	1,172	478,669	408.4	1,287	479,619	372.7	(9) %	(0) %	10 %	
Utah	165	53,136	322.0	208	65,292	313.9	(21)%	(19) %	3 %	
Mountain	1,337	531,805	397.8	1,495	544,911	364.5	(11)%	(2) %	9 %	
Maryland	305	144,695	474.4	368	159,169	432.5	(17)%	(9) %	10 %	
Virginia	234	115,001	491.5	355	177,142	499.0	(34)%	(35) %	(2) %	
Florida	304	85,847	282.4	288	74,208	257.7	6 %	16 %	10 %	
East	843	345,543	409.9	1,011	410,519	406.1	(17)%	(16) %	1 %	
Total	4,366	\$1,647,398	\$377.3	4,710	\$1,626,707	\$345.4	(7) %	1 %	9 %	

For the year ended December 31, 2015, all of our markets, with the exception of Virginia, experienced year-over-year increases in the average selling price of homes delivered. The markets that experienced the most prominent percentage increases were California, Nevada, Washington, Colorado and Florida. The price increase in all of these markets was primarily driven by a shift in mix to higher priced communities and, to a lesser degree, by price increases



implemented in most communities in the first half of the year, especially in California and Colorado. The change in homes closed during the year for the majority of our markets was mostly driven by the year-over-year change in the number of homes in beginning backlog. However, current year deliveries in most of our markets were negatively impacted by our intentional reduction of unsold home inventory, which drove decreases in the number of homes that were both sold and delivered during the year. For our Utah market, a significant year-over-year decline in the number of homes both sold and delivered during the same year, predominantly related to a decrease in available unsold home inventory, drove the 10% decline in closings, despite a 54% increase in beginning backlog.

For the year ended December 31, 2014, we experienced increases in the average selling price of new home deliveries for nearly all of our markets. The improvement in each market's average selling price was primarily the result of a mix shift to higher-priced communities, particularly in California, and, to a lesser extent, price increases implemented in 2013. However, the increases in average selling price for most of our markets were mostly offset by a decrease in the number of homes delivered, due primarily to lower year-over-year beginning backlog for each of those markets. In total, our beginning backlog for 2014 was 23% lower as compared to beginning backlog for 2013. Arizona and Florida were the only two markets which had a year-over-year increase in beginning backlog, resulting in the improvement in deliveries for those markets in 2014.

*Gross Margin*

Our gross margin from home sales for the year ended December 31, 2015 decreased 80 basis points year-over-year. The decline was primarily due to an \$8.2 million increase in inventory impairments and lower than normal margins in the first quarter of 2015 from deliveries of aged homes that were started without a contract. The lower margins were caused by higher than normal incentives utilized to reduce this aged unsold inventory. To a lesser extent, margins were also adversely impacted by higher land and construction costs and a \$2.8 million year-over-year decline in positive warranty adjustments. These items were partially offset by a 70 basis point improvement in our interest in cost of sales as a percentage of home sale revenues, price increases implemented in various communities and a higher percentage of our deliveries coming from dirt sales, which typically have higher gross margins.

Our gross margin from home sales for the year ended December 31, 2014 was 17.0%, down 80 basis points from 17.8% for 2013. The decrease in our gross margin percentage was primarily due to increased construction and land costs and increased incentive levels offered to stimulate demand, in light of the uneven homebuilding industry conditions.

Excluding inventory impairments and interest in cost of sales, our adjusted gross margin percentage from home sales for each of the years ended December 31, 2015, 2014 and 2013 was 19.7%, 20.8% and 21.1%, respectively. The table set forth below is a reconciliation of our gross margin and gross margin percentage, as reported, to gross margin from home sales excluding inventory impairments and gross margin from home sales excluding inventory impairments and interest in home cost of sales, which are non-GAAP measures.

	Year Ended December 31,					
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	2015	2014	2014	2013	2013	
	<i>Margin</i>		<i>Margin</i>		<i>Margin</i>	
	%		%		%	
	(Dollars in thousands)					
Gross Margin	\$298,226	16.0 %	\$280,691	17.0 %	\$289,317	17.8 %
Less: Land Sale Revenues	(12,337 )		(3,233 )		(2,468 )	
Add: Land Cost of Sales	12,611		2,559		1,961	
Gross Margin from Home Sales	298,500	16.2 %	280,017	17.0 %	288,810	17.8 %
Add: Inventory Impairments	9,993		1,760		919	
Gross Margin from Home Sales Excluding Impairments <sup>(1)</sup>	308,493	16.7 %	281,777	17.1 %	289,729	17.8 %
Add: Interest in Cost of Sales	54,751		60,508		54,261	
Gross Margin from Home Sales Excluding Impairments and Interest in Cost of Sales <sup>(1)</sup>	\$363,244	19.7 %	\$342,285	20.8 %	\$343,990	21.1 %

Gross Margin from Home Sales Excluding Impairments and Gross Margin from Home Sales Excluding Impairments and Interest in Cost of Sales are non-GAAP financial measures. We believe this information is (1) meaningful as it isolates the impact that interest and impairments have on our Gross Margin from Home Sales and permits investors to make better comparisons with our competitors, who also break out and adjust gross margins in a similar fashion.

*Inventory Impairments*

During the year ended December 31, 2015, we recorded \$10.0 million of inventory impairments, \$1.2 million of which was related to impairments on our land held for sale in two communities, one in our West segment and one in our Mountain segment. The remaining \$8.8 million in impairments related to nine projects with the majority coming from our East segment; four in Maryland totaling \$3.3 million and three in Virginia totaling \$5.2 million. During the year ended December 31, 2014, we recorded \$1.8 million of inventory impairments related to four projects, three of which were in our Maryland division totaling \$1.0 million. During the year ended December 31, 2013, we recorded \$0.9 million of inventory impairments related to three projects in Maryland. These communities were all impaired based on their slow sales absorption rates experienced during the respective years of their impairments as well as the estimated or actual sales price reductions required to sell the remaining lots and houses. Inventory impairments recognized by segment for the years ended December 31, 2015, 2014 and 2013 are shown in the table below.

	Year Ended December		
	2015	2014	2013
	(Dollars in thousands)		
Housing Completed or Under Construction:			
West	\$-	\$-	\$-
Mountain	250	234	-
East	1,378	1,000	802
Subtotal	1,628	1,234	802
Land and Land Under Development:			
West	648	-	-
Mountain	569	526	-
East	7,148	-	117
Subtotal	8,365	526	117
Total Inventories	\$9,993	\$1,760	\$919

The table below provides quantitative data, for the periods presented, used in determining the fair value of the impaired inventory, excluding impairments related to land held for sale.

Three Months Ended	Impairment Data		Fair Value of Inventory After Impairments	Number of Subdivisions Impaired	Quantitative Data	
	Total Subdivisions Tested	Inventory Impairments			Discount Rate	
	(Dollars in thousands)					
March 31, 2015	22	\$ 350	\$ 3,701	1	8.7%	
June 30, 2015	22	-	-	-	N/A	
September 30, 2015	18	3,225	14,836	5	12.0	15.0%

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December 31, 2015	15	5,200	19,925	3	15.0	-	20.0%
Total	77	\$ 8,775	\$ 38,462	9			
March 31, 2014	16	\$ -	\$ -	-			N/A
June 30, 2014	16	850	4,285	2	11.0	-	13.8%
September 30, 2014	23	-	-	-			N/A
December 31, 2014	21	910	4,646	2			13.3%
Total	76	\$ 1,760	\$ 8,931	4			
March 31, 2013	17	\$ -	\$ -	-			N/A
June 30, 2013	23	-	-	-			N/A
September 30, 2013	8	350	1,976	1			14.0%
December 31, 2013	17	569	2,877	2	10.0	-	18.0%
Total	65	\$ 919	\$ 4,853	3			

*Selling, General and Administrative Expenses*

For the year ended December 31, 2015, our SG&A expenses were up \$23.1 million to \$226.3 million, while our SG&A rate improved 10 basis points year-over-year. The slight improvement in our SG&A rate was driven primarily by an increased ability to leverage our fixed overhead as a result of our 12% increase in home sale revenues, but was mostly offset by an \$8.2 million increase in compensation-related expenses, which included \$6.2 million of expense related to a non-qualified stock option grant covering one million shares to each of our Chief Executive Officer and Chief Operating Officer

For the year ended December 31, 2014, our SG&A expenses were down \$10.0 million to \$203.3 million while our SG&A rate improved 80 basis points year-over-year. The decline in SG&A expenses was largely attributable to \$14.3 million in lower incentive-based compensation and post-retirement benefit expense for certain of our executive officers, \$3.5 million in lower stock-based compensation expense and a \$7.8 million reduction in our legal expenses. The improvements were partially offset by an increase in marketing costs of \$8.9 million incurred to support a larger number of active communities as compared with the prior year.

*Early Extinguishments of Debt*

During the 2014 first quarter, we redeemed our 5 % Senior Notes due December 2014 and, in the 2014 fourth quarter, we redeemed our 5 % Senior Notes due July 2015. As a result of these transactions, we paid \$517.7 million to extinguish \$500 million in debt principal and recorded a total of \$18.2 million in losses on early extinguishments of debt. We used available cash balances to fund the Senior Notes due December 2014 and for the redemption of the Senior Notes due July 2015, we used available cash balances in addition to proceeds from the sale of certain marketable securities.

*Other-Than-Temporary Impairment of Marketable Securities*

As of December 31, 2015, 2014 and 2013, our marketable securities were in net unrealized gain positions totaling \$5.9 million, \$4.5 million and \$12.6 million, respectively. Included in those net unrealized gain positions were various marketable securities in a loss position. In accordance with GAAP, we recognized \$4.0 million and \$4.3 million of impairments for the years ended December 31, 2015 and 2014, respectively, on certain equity securities based on our determination that the unrealized loss on those securities no longer met the criteria, specifically the intent to hold the marketable security until its anticipated recovery in fair value, to be considered temporary. No such impairments were recorded during the year ended December 31, 2013.

*Interest and Other Income*

Our interest and other income for the years ended December 31, 2015, 2014 and 2013 was \$6.7 million, \$26.3 million and \$29.8 million, respectively. The decrease in interest and other income from 2014 to 2015 was primarily due to year-over-year declines in both (1) our average marketable securities balance and (2) gains on sales of marketable securities resulting from a decline in the volume of marketable securities sold. The decline in interest and other income between 2014 and 2013 was attributable to the year-over-year change in our average marketable securities balance.

*Interest Expense*

For the years ended December 31, 2015, 2014 and 2013, we expensed \$0, \$0.7 million and \$1.7 million of interest, respectively, related to the portion of our homebuilding debt that exceeded our qualified assets.

## Other Homebuilding Operating Data

## Net New Orders:

	Year Ended December 31, 2015				2014				% 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)											
Arizona	843	\$241,192	\$286.1	2.07	802	\$235,041	\$293.1	2.04	5 %	3 %	(2 )%	1 %
California	856	506,445	591.6	3.55	669	327,248	489.2	3.22	28 %	55 %	21 %	10 %
Nevada	615	227,560	370.0	3.62	579	192,708	332.8	2.93	6 %	18 %	11 %	24 %
Washington	394	173,071	439.3	2.50	276	102,795	372.4	2.30	43 %	68 %	18 %	9 %
West	2,708	1,148,268	424.0	2.77	2,326	857,792	368.8	2.54	16 %	34 %	15 %	9 %
Colorado	1,435	687,695	479.2	2.97	1,334	576,322	432.0	2.88	8 %	19 %	11 %	3 %
Utah	217	79,203	365.0	2.58	179	59,304	331.3	2.55	21 %	34 %	10 %	1 %
Mountain	1,652	766,898	464.2	2.91	1,513	635,626	420.1	2.84	9 %	21 %	10 %	2 %
Maryland	237	116,010	489.5	2.02	244	117,646	482.2	1.43	(3 )%	(1 )%	2 %	41 %
Virginia	227	114,713	505.3	2.12	221	111,068	502.6	1.96	3 %	3 %	1 %	8 %
Florida	379	143,594	378.9	2.18	319	109,141	342.1	1.85	19 %	32 %	11 %	18 %
East	843	374,317	444.0	2.12	784	337,855	430.9	1.72	8 %	11 %	3 %	23 %
Total	5,203	\$2,289,483	\$440.0	2.68	4,623	\$1,831,273	\$396.1	2.43	13 %	25 %	11 %	10 %

	Year Ended December 31, 2014				2013				% 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)											
Arizona	802	\$235,041	\$293.1	2.04	645	\$165,101	\$256.0	2.91	24 %	42 %	14%	(30)%
California	669	327,248	489.2	3.22	561	237,694	423.7	3.90	19 %	38 %	15%	(17)%
Nevada	579	192,708	332.8	2.93	529	162,270	306.7	3.47	9 %	19 %	9 %	(16)%
Washington	276	102,795	372.4	2.30	300	98,156	327.2	2.19	(8 )%	5 %	14%	5 %
West	2,326	857,792	368.8	2.54	2,035	663,221	325.9	3.11	14 %	29 %	13%	(18)%
Colorado	1,334	576,322	432.0	2.88	1,234	466,285	377.9	2.67	8 %	24 %	14%	8 %
Utah	179	59,304	331.3	2.55	153	48,893	319.6	1.80	17 %	21 %	4 %	42 %
Mountain	1,513	635,626	420.1	2.84	1,387	515,178	371.4	2.53	9 %	23 %	13%	12 %
Maryland	244	117,646	482.2	1.43	314	145,310	462.8	1.45	(22)%	(19)%	4 %	(1 )%
Virginia	221	111,068	502.6	1.96	273	136,054	498.4	2.07	(19)%	(18)%	1 %	(5 )%
Florida	319	109,141	342.1	1.85	318	84,897	267.0	2.09	0 %	29 %	28%	(11)%



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East	784	337,855	430.9	1.72	905	366,261	404.7	1.81	(13)%	(8 )%	6 %	(5 )%
Total	4,623	\$1,831,273	\$396.1	2.43	4,327	\$1,544,660	\$357.0	2.54	7 %	19 %	11%	(4 )%

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

For the year ended December 31, 2015, the dollar value of net new orders increased 25% compared to the prior year as both units and average selling price improved in most of our markets. A mix shift to higher priced communities, coupled with price increases implemented during 2015 in most of our communities, notably those in California and Colorado, drove the year-over-year increase in average selling price of net new home orders. Our West segment experienced the largest improvement in the number of net new orders as the result of a 7% increase in average active subdivisions coupled with an improved absorption pace, notably in California, Washington, and Nevada, despite the price increases implemented during most of 2015 as discussed above. The improvement in net new orders in our Mountain segment was primarily the result of a 4% increase in average active subdivisions coupled with a slight improvement in our monthly sales absorption pace. Our East segment had the largest increase in absorption pace, but the impact on net new orders was significantly dampened by an 11% decline in average active community count.

For the year ended December 31, 2014, the dollar value of net new orders increased 19%, as an 11% and 12% increase in our average price and average active subdivision count, respectively, more than offset a minor decline in our monthly absorption rate to 2.43. Our West and Mountain segments showed the most improvement for the year, increasing 29% and 23%, respectively, largely attributable to our California and Arizona markets and, to a lesser extent, our Colorado and Nevada markets. Each of these four markets experienced a significant increase in the average selling price of net new orders, driven by a combination of market appreciation and a shift in mix to higher-priced communities. All four markets also experienced significant increases in unit volume, driven by considerable increases in average active communities resulting from our substantial investment into these markets over the past two years or, for Colorado, a notable improvement of our monthly absorption rate due to strong demand. In Florida, the significant increase in the dollar value of net new orders for the year was due to a higher proportion of our new orders coming from the Orlando and South Florida markets, which have a much higher average selling price than our Jacksonville operation. However, the overall dollar value of net new orders from our East segment was down 8% due to a decrease in the number of net new orders in Virginia, where market demand has been particularly weak relative to our other markets, and Maryland, which experienced a 47% year-over-year decrease in active subdivisions during 2014.

*Active Subdivisions:*

	Active Subdivisions				Average Active Subdivisions			
	December 31, 2015		2014		2013	Year Ended December 31, 2015		2014
	Count	% Change	Count	% Change	Count	Count	% Change	Count
Arizona	32	(11)%	36	44%	25	34	3%	33
California	20	5%						