

MDC HOLDINGS INC  
Form 10-Q  
July 31, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2008**

**OR**

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

**Commission File No. 1-8951**

**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.)

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4350 South Monaco Street, Suite 500

80237

Denver, Colorado  
(Address of principal executive offices)

(Zip code)

(303) 773-1100

(Registrant's telephone number, including area code)

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 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

Smaller Reporting Company  Non-Accelerated Filer  (Do not check if a 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, 2008, 46,346,000 shares of M.D.C. Holdings, Inc. common stock were outstanding.

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

**FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2008**

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**Table of Contents****ITEM 1. Unaudited Consolidated Financial Statements****M.D.C. HOLDINGS, INC.****Consolidated Balance Sheets****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,296,817	\$ 1,004,763
Restricted cash	1,586	1,898
Receivables		
Home sales receivables	28,655	33,647
Income taxes receivable, net	36,770	36,988
Other receivables	17,968	16,796
Mortgage loans held-for-sale, net	79,137	100,144
Inventories, net		
Housing completed or under construction	647,350	902,221
Land and land under development	367,113	554,336
Property and equipment, net	39,717	44,368
Deferred income taxes, net	76,262	160,565
Related party assets	28,627	28,627
Prepaid expenses and other assets, net	56,812	71,884
Total Assets	\$ 2,676,814	\$ 2,956,237
<b>LIABILITIES</b>		
Accounts payable	\$ 44,844	\$ 71,932
Accrued liabilities	285,787	339,353
Related party liabilities	-	1,701
Homebuilding line of credit	-	-
Mortgage line of credit	55,430	70,147
Senior notes, net	997,305	997,091
Total Liabilities	1,383,366	1,480,224
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued or outstanding	-	-
Common stock, \$0.01 par value; 250,000,000 shares authorized; 46,396,000 and 46,346,000 issued and outstanding, respectively, at June 30, 2008, and 46,084,000 and 46,053,000 issued and outstanding, respectively, at December 31, 2007	464	461
Additional paid-in-capital	771,121	757,039
Retained earnings	523,191	719,841
Accumulated other comprehensive loss	(669)	(669)
Treasury stock, at cost; 50,000 and 31,000 shares at June 30, 2008 and December 31, 2007, respectively	(659)	(659)
Total Stockholders Equity	1,293,448	1,476,013

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Total Liabilities and Stockholders Equity	\$ 2,676,814	\$ 2,956,237
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The accompanying Notes are an integral part of the Unaudited Consolidated Financial Statements.

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**Table of Contents****M.D.C. HOLDINGS, INC.****Consolidated Statements of Operations****(In thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>REVENUE</b>				
Home sales revenue	\$ 382,093	\$ 687,813	\$ 737,885	\$ 1,399,613
Land sales revenue	12,281	3,417	40,849	9,451
Other revenue	17,524	25,478	39,309	52,768
<b>Total Revenue</b>	<b>411,898</b>	<b>716,708</b>	<b>818,043</b>	<b>1,461,832</b>
<b>COSTS AND EXPENSES</b>				
Home cost of sales	337,543	590,564	652,580	1,189,763
Land cost of sales	6,835	2,181	34,784	7,288
Asset impairments	88,278	161,050	143,110	302,472
Marketing expenses	20,350	29,371	39,553	58,450
Commission expenses	14,659	24,380	28,092	47,630
General and administrative expenses	45,768	80,090	98,680	170,747
Related party expenses	5	100	10	191
<b>Total Costs and Expenses</b>	<b>513,438</b>	<b>887,736</b>	<b>996,809</b>	<b>1,776,541</b>
Loss before income taxes	(101,540)	(171,028)	(178,766)	(314,709)
Benefit from income taxes	814	64,956	5,220	114,239
<b>NET LOSS</b>	<b>\$ (100,726)</b>	<b>\$ (106,072)</b>	<b>\$ (173,546)</b>	<b>\$ (200,470)</b>
<b>LOSS PER SHARE</b>				
Basic	\$ (2.18)	\$ (2.32)	\$ (3.77)	\$ (4.40)
Diluted	\$ (2.18)	\$ (2.32)	\$ (3.77)	\$ (4.40)
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING</b>				
Basic	46,110	45,722	46,033	45,612
Diluted	46,110	45,722	46,033	45,612
<b>DIVIDENDS DECLARED PER SHARE</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.50</b>	<b>\$ 0.50</b>

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

**Table of Contents****M.D.C. HOLDINGS, INC.****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (173,546)	\$ (200,470)
Adjustments to reconcile net loss to net cash provided by operating activities		
Asset impairments	143,110	302,472
Deferred tax asset valuation expense	53,968	-
Deferred income taxes	30,742	(104,411)
Amortization of deferred marketing costs	13,172	14,927
Write-offs of land option deposits and pre-acquisition costs	3,668	10,210
Depreciation and amortization of long-lived assets	4,786	7,290
Stock-based compensation expense	5,357	5,408
Excess tax benefits from stock-based compensation	(367)	(6,326)
Loss on sale of assets	3,804	-
Other non-cash expenses	272	1,246
Net change in assets and liabilities		
Restricted cash	312	465
Home sales and other receivables	3,820	60,466
Income taxes receivable	218	(26,320)
Mortgage loans held for sale, net	21,007	87,186
Housing completed or under construction	209,290	(158,873)
Land and land under development	90,111	275,304
Prepaid expenses and other assets, net	(6,066)	(5,067)
Accounts payable	(27,088)	(9,797)
Accrued liabilities	(54,267)	(54,388)
Net cash provided by operating activities	322,303	199,322
<b>INVESTING ACTIVITIES</b>		
Net purchase of property and equipment	(116)	(2,055)
<b>FINANCING ACTIVITIES</b>		
Lines of credit		
Advances	93,493	468,478
Principal payments	(108,210)	(499,534)
Dividend payments	(23,104)	(22,852)
Proceeds from exercise of stock options	7,321	10,747
Excess tax benefits from stock-based compensation	367	6,326
Net cash used in financing activities	(30,133)	(36,835)
Net increase in cash and cash equivalents	292,054	160,432
Cash and cash equivalents		
Beginning of period	1,004,763	507,947
End of period	\$ 1,296,817	\$ 668,379

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

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**Notes to Unaudited Consolidated Financial Statements**