

MDC HOLDINGS INC
Form 10-Q
July 30, 2010
Table of Contents

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, 2010

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)

4350 South Monaco Street, Suite 500

84-0622967
(I.R.S. employer

identification no.)

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 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 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, 2010, 47,139,000 shares of M.D.C. Holdings, Inc. common stock were outstanding.

Table of Contents

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

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2010

INDEX

	Page No.
Part I. Financial Information:	
Item 1. Unaudited Consolidated Financial Statements:	
<u>Consolidated Balance Sheets at June 30, 2010 and December 31, 2009</u>	1
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009</u>	2
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009</u>	3
<u>Notes to Unaudited Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 4. <u>Controls and Procedures</u>	61
Part II. Other Information:	
Item 1. <u>Legal Proceedings</u>	62
Item 1A. <u>Risk Factors</u>	63
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	64
Item 3. <u>Defaults Upon Senior Securities</u>	64
Item 4. <u>(Removed and Reserved)</u>	64
Item 5. <u>Other Information</u>	64
Item 6. <u>Exhibits</u>	65
<u>Signatures</u>	66

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)**

	June 30, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$ 692,132	\$ 1,234,252
Marketable securities	941,403	327,944
Restricted cash	713	476
Receivables		
Home sales receivables	34,096	10,056
Income taxes receivable	641	145,144
Other receivables	17,412	5,844
Mortgage loans held-for-sale, net	112,065	62,315
Inventories, net		
Housing completed or under construction	382,971	260,324
Land and land under development	370,352	262,860
Property and equipment, net	41,188	38,421
Deferred tax asset, net of valuation allowance of \$217,455 and \$208,144 at June 30, 2010 and December 31, 2009, respectively	-	-
Related party assets	7,856	7,856
Prepaid expenses and other assets, net	80,369	73,816
Total Assets	\$ 2,681,198	\$ 2,429,308
Liabilities		
Accounts payable	\$ 51,888	\$ 36,087
Accrued liabilities	289,614	291,969
Related party liabilities	86	1,000
Mortgage repurchase facility	65,305	29,115
Senior notes, net	1,242,325	997,991
Total Liabilities	1,649,218	1,356,162
Commitments and Contingencies	-	-
Stockholders Equity		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued or outstanding	-	-
Common stock, \$0.01 par value; 250,000,000 shares authorized; 47,195,000 and 47,139,000 issued and outstanding, respectively, at June 30, 2010 and 47,070,000 and 47,017,000 issued and outstanding, respectively, at December 31, 2009	472	471
Additional paid-in-capital	810,929	802,675
Retained earnings	222,532	270,659
Accumulated other comprehensive loss	(1,294)	-
Treasury stock, at cost; 56,000 and 53,000 shares at June 30, 2010 and December 31, 2009, respectively	(659)	(659)
Total Stockholders Equity	1,031,980	1,073,146

Edgar Filing: MDC HOLDINGS INC - Form 10-Q

Total Liabilities and Stockholders' Equity	\$ 2,681,198	\$ 2,429,308
--	--------------	--------------

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

- 1 -

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue				
Home sales revenue	\$ 311,276	\$ 185,554	\$ 452,219	\$ 352,536
Land sales revenue	5,699	1,954	5,714	4,572
Other revenue	9,355	7,758	15,475	14,090
Total Revenue	326,330	195,266	473,408	371,198
Costs and Expenses				
Home cost of sales	255,062	152,118	364,452	293,443
Land cost of sales	4,974	1,500	5,165	2,841
Asset impairments, net	-	1,243	-	15,812
Marketing expenses	11,475	7,930	18,535	16,762
Commission expenses	11,611	6,953	16,740	13,311
General and administrative expenses	44,588	37,800	84,791	76,181
Other operating expenses	529	292	1,020	557
Related party expenses	-	4	9	9
Total Operating Costs and Expenses	328,239	207,840	490,712	418,916
Loss from Operations	(1,909)	(12,574)	(17,304)	(47,718)
Other income (expense)				
Interest income	7,541	2,968	11,969	7,039
Interest expense	(9,436)	(9,838)	(19,810)	(19,578)
Other income	105	381	204	121
Loss before income taxes	(3,699)	(19,063)	(24,941)	(60,136)
Benefit from (provision for) income taxes, net	15	(10,519)	384	(10,299)
NET LOSS	\$ (3,684)	\$ (29,582)	\$ (24,557)	\$ (70,435)
LOSS PER SHARE				
Basic	\$ (0.08)	\$ (0.64)	\$ (0.53)	\$ (1.52)
Diluted	\$ (0.08)	\$ (0.64)	\$ (0.53)	\$ (1.52)
DIVIDENDS DECLARED PER SHARE	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50

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

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

	Six Months Ended June 30,	
	2010	2009
Operating Activities		
Net loss	\$ (24,557)	\$ (70,435)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Asset impairments, net	-	15,812
Amortization of deferred marketing costs	5,528	3,804
Write-offs of land option deposits and pre-acquisition costs	873	557
Depreciation and amortization of long-lived assets	2,573	2,920
Stock-based compensation expense	8,202	7,325
Gain on sale of assets, net	(550)	(1,531)
Other non-cash expenses	872	1,223
Net changes in assets and liabilities:		
Restricted cash	(237)	51
Home sales and other receivables	(35,608)	7,620
Income taxes receivable	144,503	169,862
Mortgage loans held-for-sale, net	(49,750)	17,575
Housing completed or under construction	(122,647)	114,079
Land and land under development	(105,669)	16,506
Prepaid expenses and other assets, net	(14,629)	(4,235)
Accounts payable	15,801	(211)
Accrued liabilities	(3,639)	(29,104)

Net cash (used in) provided by operating activities