

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, 2021

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
Denver, Colorado
(Address of principal executive offices)

84-0622967
(I.R.S. employer
identification no.)
80237
(Zip code)

(303) 773-1100
(Registrant's telephone number, including area code)

Securities registered pursuant to	Title of each class	to	Section 12(b)	of	the	Act:
		Trading Symbol(s)		Name of each exchange on which registered		
Common Stock, \$.01 par value		552676108		New York Stock Exchange		
6% Senior Notes due January 2043		552676AQ1		New York Stock Exchange		

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 27, 2021, 70,620,251 shares of M.D.C. Holdings, Inc. common stock were outstanding.

M.D.C. HOLDINGS, INC.
FORM 10-Q
FOR THE QUARTER ENDED June 30, 2021

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PART I

Item 1. Unaudited Consolidated Financial Statements

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

	June 30, 2021	December 31, 2020
(Dollars in thousands, except per share amounts)		
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 638,547	\$ 411,362
Restricted cash	14,158	15,343
Trade and other receivables	133,146	72,466
Inventories:		
Housing completed or under construction	1,872,666	1,486,587
Land and land under development	1,309,360	1,345,643
Total inventories	3,182,026	2,832,230
Property and equipment, net	59,664	61,880
Deferred tax asset, net	14,793	11,454
Prepays and other assets	98,066	101,685
Total homebuilding assets	4,140,400	3,506,420
Financial Services:		
Cash and cash equivalents	88,654	77,267
Mortgage loans held-for-sale, net	186,086	232,556
Other assets	43,054	48,677
Total financial services assets	317,794	358,500
Total Assets	\$ 4,458,194	\$ 3,864,920
LIABILITIES AND EQUITY		
Homebuilding:		
Accounts payable	\$ 135,712	\$ 98,862
Accrued and other liabilities	330,929	300,735
Revolving credit facility	10,000	10,000
Senior notes, net	1,384,714	1,037,391
Total homebuilding liabilities	1,861,355	1,446,988
Financial Services:		
Accounts payable and accrued liabilities	99,599	95,630
Mortgage repurchase facility	164,681	202,390
Total financial services liabilities	264,280	298,020
Total Liabilities	2,125,635	1,745,008
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; 70,619,638 and 64,851,126 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	706	649
Additional paid-in-capital	1,689,689	1,407,597
Retained earnings	642,164	711,666
Total Stockholders' Equity	2,332,559	2,119,912
Total Liabilities and Stockholders' Equity	\$ 4,458,194	\$ 3,864,920

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in thousands, except per share amounts)				
Homebuilding:				
Home sale revenues	\$ 1,367,773	\$ 886,758	\$ 2,409,631	\$ 1,583,843
Home cost of sales	(1,051,181)	(707,789)	(1,865,069)	(1,266,436)
Gross profit	316,592	178,969	544,562	317,407
Selling, general and administrative expenses	(128,861)	(92,316)	(243,854)	(181,637)
Interest and other income	868	720	1,835	2,609
Other expense	(1,090)	(2,452)	(1,527)	(3,789)
Homebuilding pretax income	187,509	84,921	301,016	134,590
Financial Services:				
Revenues	33,318	32,964	78,341	54,850
Expenses	(16,440)	(12,178)	(31,545)	(23,107)
Other income (expense), net	1,155	5,931	2,042	(6,133)
Financial services pretax income	18,033	26,717	48,838	25,610
Income before income taxes	205,542	111,638	349,854	160,200
Provision for income taxes	(51,190)	(27,242)	(84,812)	(39,044)
Net income	\$ 154,352	\$ 84,396	\$ 265,042	\$ 121,156
Comprehensive income	\$ 154,352	\$ 84,396	\$ 265,042	\$ 121,156
Earnings per share:				
Basic	\$ 2.19	\$ 1.23	\$ 3.76	\$ 1.78
Diluted	\$ 2.11	\$ 1.21	\$ 3.62	\$ 1.73
Weighted average common shares outstanding:				
Basic	70,291,057	68,057,093	70,044,326	67,775,735
Diluted	72,715,273	69,207,415	72,754,141	69,701,942
Dividends declared per share	\$ 0.40	\$ 0.31	\$ 0.77	\$ 0.61

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

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

	Six Months Ended June 30, 2021				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at December 31, 2020	64,851,126	\$ 649	\$ 1,407,597	\$ 711,666	\$ 2,119,912
Net Income	—	—	—	110,690	110,690
Shares issued under stock-based compensation programs, net	221,303	2	1,007	—	1,009
Cash dividends declared	—	—	—	(25,978)	(25,978)
Stock dividend declared	5,192,776	52	279,579	(280,318)	(687)
Stock-based compensation expense	—	—	9,926	—	9,926
Balance at March 31, 2021	70,265,205	\$ 703	\$ 1,698,109	\$ 516,060	\$ 2,214,872
Net Income	—	—	—	154,352	154,352
Shares issued under stock-based compensation programs, net	358,993	3	(16,546)	—	(16,543)
Cash dividends declared	—	—	—	(28,248)	(28,248)
Stock-based compensation expense	—	—	8,126	—	8,126
Forfeiture of restricted stock	(4,560)	—	—	—	—
Balance at June 30, 2021	70,619,638	\$ 706	\$ 1,689,689	\$ 642,164	\$ 2,332,559

	Six Months Ended June 30, 2020				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at December 31, 2019	62,574,961	\$ 626	\$ 1,348,733	\$ 433,126	\$ 1,782,485
Cumulative effect of newly adopted accounting standards	—	—	—	(34)	(34)
Balance at January 1, 2020	62,574,961	626	1,348,733	433,092	1,782,451
Net Income	—	—	—	36,760	36,760
Shares issued under stock-based compensation programs, net	477,582	5	8,189	—	8,194
Cash dividends declared	—	—	—	(20,768)	(20,768)
Stock-based compensation expense	—	—	4,440	—	4,440
Forfeiture of restricted stock	(48)	—	—	—	—
Balance at March 31, 2020	63,052,495	\$ 631	\$ 1,361,362	\$ 449,084	\$ 1,811,077
Net Income	—	—	—	84,396	84,396
Shares issued under stock-based compensation programs, net	334,178	3	(6,865)	—	(6,862)
Cash dividends declared	—	—	—	(20,914)	(20,914)
Stock-based compensation expense	—	—	5,488	—	5,488
Forfeiture of restricted stock	(1,807)	—	—	—	—
Balance at June 30, 2020	63,384,866	\$ 634	\$ 1,359,985	\$ 512,566	\$ 1,873,185

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

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

	Six Months Ended June 30,	
	2021	2020
(Dollars in thousands)		
Operating Activities:		
Net income	\$ 265,042	\$ 121,156
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	18,867	9,928
Depreciation and amortization	16,178	11,527
Net loss on marketable equity securities	—	8,285
Deferred income tax expense	(3,339)	1,962
Net changes in assets and liabilities:		
Trade and other receivables	(57,105)	(23,445)
Mortgage loans held-for-sale, net	46,470	23,454
Housing completed or under construction	(385,698)	(233,829)
Land and land under development	36,379	94,918
Prepays and other assets	4,695	1,209
Accounts payable and accrued and other liabilities	70,595	40,539
Net cash provided by operating activities	<u>12,084</u>	<u>55,704</u>
Investing Activities:		
Purchases of marketable securities	—	(10,804)
Sales of marketable securities	—	59,266
Purchases of property and equipment	(13,447)	(12,968)
Net cash provided by (used in) investing activities	<u>(13,447)</u>	<u>35,494</u>
Financing Activities:		
Payments on mortgage repurchase facility, net	(37,709)	(7,522)
Payments on homebuilding line of credit, net	—	(5,000)
Repayment of senior notes	—	(250,000)
Proceeds from issuance of senior notes	347,725	298,050
Dividend payments	(54,913)	(41,682)
Payments of deferred financing costs	(819)	—
Issuance of shares under stock-based compensation programs, net	(15,534)	1,332
Net cash provided by (used in) financing activities	<u>238,750</u>	<u>(4,822)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	237,387	86,376
Cash, cash equivalents and restricted cash:		
Beginning of period	503,972	474,212
End of period	<u>\$ 741,359</u>	<u>\$ 560,588</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Homebuilding:		
Cash and cash equivalents	\$ 638,547	\$ 482,702
Restricted cash	14,158	15,668
Financial Services:		
Cash and cash equivalents	88,654	62,218
Total cash, cash equivalents and restricted cash	<u>\$ 741,359</u>	<u>\$ 560,588</u>

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

1. Basis of Presentation

The Unaudited Consolidated Financial Statements of M.D.C. Holdings, Inc. ("MDC," "the Company," "we," "us," or "our," which refers to M.D.C. Holdings, Inc. and its subsidiaries) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of MDC at June 30, 2021 and for all periods presented. These statements should be read in conjunction with MDC's Consolidated Financial Statements and Notes thereto included in MDC's Annual Report on Form 10-K for the year ended December 31, 2020.

On January 25, 2021, MDC's board of directors declared an 8% stock dividend that was distributed on March 17, 2021 to shareholders of record on March 3, 2021. In accordance with Accounting Standards Codification ("ASC") Topic 260, *Earnings Per Share* ("ASC 260"), basic and diluted earnings per share amounts, share amounts and dividends declared per share have been restated for any period or dates prior to the stock dividend record date.

Included in these footnotes are certain statements that 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 operations, 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 section 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.

Where necessary, reclassifications have been made to our prior period financial information to conform to the current year presentation.

2. Recently Issued Accounting Standards

Adoption of New Accounting Standards

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

3. Segment Reporting

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

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

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

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

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

The following table summarizes revenues for our homebuilding and financial services operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Homebuilding				
West	\$ 847,683	\$ 490,117	\$ 1,464,294	\$ 895,615
Mountain	400,633	316,666	725,350	539,524
East	119,457	79,975	219,987	148,704
Total homebuilding revenues	<u>\$ 1,367,773</u>	<u>\$ 886,758</u>	<u>\$ 2,409,631</u>	<u>\$ 1,583,843</u>
Financial Services				
Mortgage operations	\$ 23,321	\$ 24,363	\$ 58,486	\$ 38,988
Other	9,997	8,601	19,855	15,862
Total financial services revenues	<u>\$ 33,318</u>	<u>\$ 32,964</u>	<u>\$ 78,341</u>	<u>\$ 54,850</u>

The following table summarizes pretax income (loss) for our homebuilding and financial services operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in thousands)				
Homebuilding				
West	\$ 132,919	\$ 48,745	\$ 210,106	\$ 85,321
Mountain	64,052	41,807	109,910	63,319
East	10,846	3,073	18,681	3,973
Corporate	(20,308)	(8,704)	(37,681)	(18,023)
Total homebuilding pretax income	\$ 187,509	\$ 84,921	\$ 301,016	\$ 134,590
Financial Services				
Mortgage operations	\$ 14,088	\$ 17,506	\$ 40,127	\$ 25,749
Other	3,945	9,211	8,711	(139)
Total financial services pretax income	\$ 18,033	\$ 26,717	\$ 48,838	\$ 25,610
Total pretax income	\$ 205,542	\$ 111,638	\$ 349,854	\$ 160,200

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

	June 30,	December 31,
	2021	2020
(Dollars in thousands)		
Homebuilding assets		
West	\$ 2,083,436	\$ 1,855,567
Mountain	994,226	905,007
East	372,166	274,937
Corporate	690,572	470,909
Total homebuilding assets	\$ 4,140,400	\$ 3,506,420
Financial services assets		
Mortgage operations	\$ 225,971	\$ 279,649
Other	91,823	78,851
Total financial services assets	\$ 317,794	\$ 358,500
Total assets	\$ 4,458,194	\$ 3,864,920

4. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in thousands, except per share amounts)				
Numerator				
Net income	\$ 154,352	\$ 84,396	\$ 265,042	\$ 121,156
Less: distributed earnings allocated to participating securities	(133)	(121)	(291)	(256)
Less: undistributed earnings allocated to participating securities	(589)	(363)	(1,067)	(465)
Net income attributable to common stockholders (numerator for basic earnings per share)	153,630	83,912	263,684	120,435
Add back: undistributed earnings allocated to participating securities	589	363	1,067	465
Less: undistributed earnings reallocated to participating securities	(569)	(357)	(1,032)	(455)
Numerator for diluted earnings per share under two class method	\$ 153,650	\$ 83,918	\$ 263,719	\$ 120,445
Denominator				
Weighted-average common shares outstanding	70,291,057	68,057,093	70,044,326	67,775,735
Add: dilutive effect of stock options	2,424,216	1,150,322	2,394,887	1,614,428
Add: dilutive effect of performance share units	—	—	314,928	311,779
Denominator for diluted earnings per share under two class method	72,715,273	69,207,415	72,754,141	69,701,942
Basic Earnings Per Common Share	\$ 2.19	\$ 1.23	\$ 3.76	\$ 1.78
Diluted Earnings Per Common Share	\$ 2.11	\$ 1.21	\$ 3.62	\$ 1.73

Diluted EPS for the three and six months ended June 30, 2020 excluded options to purchase 1.3 million and 0.8 million shares, respectively, because the effect of their inclusion would be anti-dilutive. Their were zero anti-dilutive options for both the three and six months ended June 30, 2021.

5. Fair Value Measurements

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

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

Financial Instrument	Hierarchy	Fair Value	
		June 30, 2021	December 31, 2020
Mortgage loans held-for-sale, net	Level 2	\$ 186,086	\$ 232,556

(Dollars in thousands)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of June 30, 2021 and December 31, 2020.

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

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

The following table reconciles the net gain (loss) recognized during the three and six months ended June 30, 2021 and 2020 on equity securities to the unrealized gain recognized during the periods on equity securities still held at the reporting date.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net gain (loss) recognized during the period on equity securities	\$ —	\$ 4,983	\$ —	\$ (8,285)
Less: Net gain (loss) recognized during the period on equity securities sold during the period	—	4,983	—	(8,285)
Unrealized gain (loss) recognized during the reporting period on equity securities still held at the reporting date	\$ —	\$ —	\$ —	\$ —

Mortgage loans held-for-sale, net. Our mortgage loans held-for-sale, which are measured at fair value on a recurring basis, include (1) mortgage loans held-for-sale that are under commitments to sell and (2) mortgage loans held-for-sale that are not under commitments to sell. At June 30, 2021 and December 31, 2020, we had \$118.9 million and \$137.3 million, respectively, of mortgage loans held-for-sale under commitments to sell. The fair value for those loans was based on quoted market prices for those mortgage loans, which are Level 2 fair value inputs. At June 30, 2021 and December 31, 2020, we had \$67.2 million and \$95.3 million, respectively, of mortgage loans held-for-sale that were not under commitments to sell. The fair value for those loans was primarily based upon the estimated market price received from an outside party, which is a Level 2 fair value input.

Gains on sales of mortgage loans, net, are included as a component of revenues in the financial services section of our consolidated statements of operations and comprehensive income. For the three and six months ended June 30, 2021, we recorded net gains on the sales of mortgage loans of \$26.4 million and \$49.9 million, respectively, compared to \$20.8 million and \$37.5 million for the same periods in the prior year, respectively.

Mortgage Repurchase Facility. The debt associated with our mortgage repurchase facility (see Note 18 for further discussion) is at floating rates that approximate current market rates and have relatively short-term maturities, generally within 30 days. The fair value approximates carrying value and is based on Level 2 inputs.

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

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
\$250 million 5.500% Senior Notes due January 2024, net	\$ 249,352	\$ 274,650	\$ 249,233	\$ 275,463
\$300 million 3.850% Senior Notes due January 2030, net	297,577	322,725	297,458	331,384
\$350 million 2.500% Senior Notes due January 2031, net	346,985	326,522	—	—
\$500 million 6.000% Senior Notes due January 2043, net	490,800	639,003	490,700	667,288
Total	\$ 1,384,714	\$ 1,562,900	\$ 1,037,391	\$ 1,274,135

6. Inventories

The following table sets forth, by reportable segment, information relating to our homebuilding inventories:

	June 30,	December 31,
	2021	2020
	(Dollars in thousands)	
Housing completed or under construction:		
West	\$ 1,064,028	\$ 902,842
Mountain	608,629	464,501
East	200,009	119,244
Subtotal	1,872,666	1,486,587
Land and land under development:		
West	838,482	822,504
Mountain	325,277	391,054
East	145,601	132,085
Subtotal	1,309,360	1,345,643
Total inventories	\$ 3,182,026	\$ 2,832,230

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

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

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

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

If land is classified as held for sale, we measure it in accordance with ASC 360 at the lower of the carrying value or fair value less estimated costs to sell. In determining fair value, we primarily rely upon the most recent negotiated price, which is a Level 2 input. If a negotiated price is not available, we will consider several factors including, but not limited to, current market conditions, recent comparable sales transactions and market analysis studies, which are considered Level 3 inputs. If the fair value less estimated costs to sell is lower than the current carrying value, the land is impaired down to its estimated fair value less costs to sell.

7. Capitalization of Interest

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Homebuilding interest incurred	\$ 17,409	\$ 15,094	\$ 34,741	\$ 31,628
Less: Interest capitalized	(17,409)	(15,094)	(34,741)	(31,628)
Homebuilding interest expensed	\$ —	\$ —	\$ —	\$ —
Interest capitalized, beginning of period	\$ 55,268	\$ 59,077	\$ 52,777	\$ 55,310
Plus: Interest capitalized during period	17,409	15,094	34,741	31,628
Less: Previously capitalized interest included in home cost of sales	(18,326)	(17,242)	(33,167)	(30,009)
Interest capitalized, end of period	\$ 54,351	\$ 56,929	\$ 54,351	\$ 56,929

8. Leases

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Operating lease cost ¹	\$ 1,995	\$ 2,120	\$ 3,972	\$ 4,166
Less: Sublease income (Note 19)	(39)	(38)	(78)	(76)
Net lease cost	\$ 1,956	\$ 2,082	\$ 3,894	\$ 4,090

¹ Includes variable lease costs, which are immaterial.

Supplemental cash flow information related to leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in thousands)				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 1,887	\$ 1,741	\$ 3,745	\$ 3,647
Leased assets obtained in exchange for new operating lease liabilities	\$ —	\$ 1,405	\$ 830	\$ 4,050

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

	June 30, 2021
Weighted-average remaining lease term (in years)	4.9
Weighted-average discount rate	5.5 %

Maturities of operating lease liabilities were as follows:

	Year Ended December 31,	
	(Dollars in thousands)	
2021 (excluding the six months ended June 30, 2021)	\$	3,165
2022		7,387
2023		6,416
2024		5,717
2025		5,493
Thereafter		4,869
Total operating lease payments	\$	33,047
Less: Interest		4,150
Present value of operating lease liabilities ¹	\$	28,897

¹ Homebuilding and financial services operating lease liabilities of \$28.5 million and \$0.4 million, respectively, are included as a component of accrued and other liabilities and accounts payable and accrued liabilities, respectively, in the homebuilding and financial services section of our consolidated balance sheet at June 30, 2021.

9. Homebuilding Prepaids and Other Assets

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

	June 30, 2021	December 31, 2020
	(Dollars in thousands)	
Land option deposits	\$ 37,487	\$ 29,987
Operating lease right-of-use asset	27,448	29,226
Prepaids	18,916	26,929
Deferred debt issuance costs on revolving credit facility, net	8,074	9,043
Goodwill	6,008	6,008
Other	133	492
Total prepaids and other assets	\$ 98,066	\$ 101,685

10. Homebuilding Accrued and Other Liabilities and Financial Services Accounts Payable and Accrued Liabilities

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

	June 30, 2021	December 31, 2020
	(Dollars in thousands)	
Customer and escrow deposits	\$ 84,780	\$ 67,022
Accrued compensation and related expenses	54,578	56,682
Warranty accrual (Note 11)	35,017	33,664
Accrued interest	32,122	27,650
Lease liability (Note 8)	28,454	30,221
Land development and home construction accruals	15,620	10,824
Construction defect claim reserves (Note 12)	8,353	8,479
Income taxes payable	6,468	8,285
Other accrued liabilities	65,537	57,908
Total accrued and other liabilities	\$ 330,929	\$ 300,735

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

	June 30, 2021	December 31, 2020
	(Dollars in thousands)	
Insurance reserves (Note 12)	\$ 67,933	\$ 61,575
Accounts payable and other accrued liabilities	31,666	34,055
Total accounts payable and accrued liabilities	\$ 99,599	\$ 95,630

11. Warranty Accrual

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

Our warranty accrual is included in accrued and other liabilities in the homebuilding section of our consolidated balance sheets and adjustments to our warranty accrual are recorded as an increase or reduction to home cost of sales in the homebuilding section of our consolidated statements of operations and comprehensive income.

The table set forth below summarizes accrual, adjustment and payment activity related to our warranty accrual for the three and six months ended June 30, 2021 and 2020. The warranty accrual increased due to the increase in the number of home closings.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Balance at beginning of period	\$ 33,873	\$ 30,887	\$ 33,664	\$ 31,386
Expense provisions	5,703	3,937	10,088	7,102
Cash payments	(4,559)	(2,366)	(8,735)	(6,030)
Adjustments	—	(2,000)	—	(2,000)
Balance at end of period	\$ 35,017	\$ 30,458	\$ 35,017	\$ 30,458

12. Insurance and Construction Defect Claim Reserves

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

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

The table set forth below summarizes our insurance and construction defect claim reserves activity for the three and six months ended June 30, 2021 and 2020. These reserves are included as a component of accounts payable and accrued liabilities and accrued and other liabilities in the financial services and homebuilding sections, respectively, of the consolidated balance sheets.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Balance at beginning of period	\$ 74,003	\$ 61,450	\$ 70,054	\$ 60,415
Expense provisions	5,388	3,586	9,671	6,504
Cash payments, net of recoveries	(3,105)	(1,155)	(3,439)	(3,038)
Balance at end of period	\$ 76,286	\$ 63,881	\$ 76,286	\$ 63,881

In the ordinary course of business, we make payments from our insurance and construction defect claim reserves to settle litigation claims arising from our homebuilding activities. These payments are irregular in both their timing and their magnitude. As a result, the cash payments, net of recoveries shown for the three and six months ended June 30, 2021 and 2020 are not necessarily indicative of what future cash payments will be for subsequent periods.

13. Income Taxes

Our overall effective income tax rates were 24.9% and 24.2% for the three and six months ended June 30, 2021 and 24.4% for both the three and six months ended June 30, 2020. The rates for the three and six months ended June 30, 2021 resulted in income tax expense of \$51.2 million and \$84.8 million, respectively, compared to income tax expense of \$27.2 million and \$39.0 million for the three and six months ended June 30, 2020, respectively. The year-over-year increase in the effective tax rate for the three months ended June 30, 2021, was primarily due to an increase in pretax income, in addition to a decrease in the amount of executive compensation that is deductible under Internal Revenue Code Section 162(m).

14. Senior Notes

The carrying values of our senior notes as of June 30, 2021 and December 31, 2020, net of any unamortized debt issuance costs or discount, were as follows:

	June 30, 2021	December 31, 2020
	(Dollars in thousands)	
5.500% Senior Notes due January 2024, net	\$ 249,352	\$ 249,233
3.850% Senior Notes due January 2030, net	297,577	297,458
2.500% Senior Notes due January 2031, net	346,985	—
6.000% Senior Notes due January 2043, net	490,800	490,700
Total	\$ 1,384,714	\$ 1,037,391

Our senior notes are not secured and, while the senior note indentures contain some restrictions on secured debt and other transactions, they do not contain financial covenants. Our senior notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of our homebuilding segment subsidiaries.

15. Stock-Based Compensation

The following table sets forth share-based award expense activity for the three and six months ended June 30, 2021 and 2020, which is included as a component of selling, general and administrative expenses and expenses in the homebuilding and financial services sections of our consolidated statements of operations and comprehensive income, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Stock option grants expense	\$ 725	\$ 717	\$ 1,589	\$ 1,212
Restricted stock awards expense	1,452	1,053	3,921	2,570
Performance share units expense	6,842	3,718	13,435	6,146
Total stock-based compensation	\$ 9,019	\$ 5,488	\$ 18,945	\$ 9,928

Additional detail on the performance share units ("PSUs") expense is included below:

2018 PSU Grants. The 2018 PSU awards vested on April 29, 2021. For the six months ended June 30, 2021, the Company recorded share-based award expense of \$1.3 million related to these awards. For the three and six months ended June 30, 2020, the Company recorded share-based award expense of \$3.7 million and \$4.7 million, respectively, related to these awards.

2019 PSU Grants. As of June 30, 2021, the Company recorded the required share-based award expense related to the awards of \$1.8 million and \$3.7 million for the three and six months ended June 30, 2021, based on its assessment of the probability for achievement of the performance targets. As of June 30, 2020, the Company concluded that achievement of the performance targets had not met the level of probability required to record compensation expense and as such, no expense related to these awards was recognized.

2020 PSU Grants. As of June 30, 2021, the Company recorded the required share-based award expense related to the awards of \$5.0 million and \$8.5 million for the three and six months ended June 30, 2021, based on its assessment of the probability for achievement of the performance targets.

2021 PSU Grants. The 2021 PSUs were granted on July 14, 2021 and included a target number of share units of 397,500. The grant date fair value was \$44.35 per share unit. As the PSU's were granted subsequent to June 30, 2021, the achievement of the performance targets were not assessed for the three and six months ended June 30, 2021 and as such, no expense related to these awards was recognized for these periods.

16. Commitments and Contingencies

Surety Bonds and Letters of Credit. We are required to obtain surety bonds and letters of credit in support of our obligations for land development and subdivision improvements, homeowner association dues, warranty work, contractor license fees and earnest money deposits. At June 30, 2021, we had outstanding surety bonds and letters of credit totaling \$295.5 million and \$151.7 million, respectively, including \$114.0 million in letters of credit issued by HomeAmerican. The estimated cost to complete obligations related to these bonds and letters of credit were approximately \$140.2 million and \$107.5 million, respectively. All letters of credit as of June 30, 2021, excluding those issued by HomeAmerican, were issued under our unsecured revolving credit facility (see Note 18 for further discussion of the revolving credit facility). We expect that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business and in accordance with the applicable contractual terms. To the extent that the obligations are performed, the related performance bonds and letters of credit should be released and we should not have any continuing obligations. However, in the event any such performance bonds or letters of credit are called, our indemnity obligations could require us to reimburse the issuer of the performance bond or letter of credit.

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

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

Lot Option Contracts. In the ordinary course of business, we enter into lot option purchase contracts ("Option Contracts"), generally through a deposit of cash or a letter of credit, for the right to purchase land or lots at a future point in time with predetermined terms. The use of such land option and other contracts generally allow us to reduce the risks associated with direct land ownership and development, reduces our capital and financial commitments, and minimizes the amount of land inventories on our consolidated balance sheets. In certain cases, these contracts will be settled shortly following the end of the period. Our obligation with respect to Option Contracts is generally limited to forfeiture of the related deposits. At June 30, 2021, we had cash deposits and letters of credit totaling \$33.3 million and \$10.9 million, respectively, at risk associated with the option to purchase 10,900 lots.

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

17. Derivative Financial Instruments

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

At June 30, 2021, we had interest rate lock commitments with an aggregate principal balance of \$306.0 million. Additionally, we had \$64.9 million of mortgage loans held-for-sale at June 30, 2021 that had not yet been committed to a mortgage purchaser. In order to hedge the changes in fair value of our interest rate lock commitments and mortgage loans held-for-sale that had not yet been committed to a mortgage purchaser, we had forward sales of securities totaling \$189.5 million at June 30, 2021.

For the three and six months ended June 30, 2021, we recorded net gain (loss) on derivatives of \$(8.1) million and \$1.0 million, respectively, in revenues in the financial services section of our consolidated statements of operations and comprehensive income, compared to net gains of \$2.3 million and \$3.3 million for the same periods in 2020.

18. Lines of Credit

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

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

The Revolving Credit Facility is subject to acceleration upon certain specified events of default, including breach of the consolidated tangible net worth covenant, a violation of anti-corruption or sanctions laws, failure to make timely payments, breaches of certain representations or covenants, failure to pay other material indebtedness, or another person becoming beneficial owner of 50% or more of our outstanding common stock. We believe we were in compliance with the representations, warranties and covenants included in the Revolving Credit Facility as of June 30, 2021.

We incur costs associated with unused commitment fees pursuant to the terms of the Revolving Credit Facility. At June 30, 2021 and December 31, 2020, there were \$37.7 million and \$25.1 million, respectively, in letters of credit outstanding, which reduced the amounts available to be borrowed under the Revolving Credit Facility. At June 30, 2021 and December 31, 2020, we had \$10.0 million and \$10.0 million, respectively, outstanding under the Revolving Credit Facility. As of June 30, 2021, availability under the Revolving Credit Facility was approximately \$1.15 billion.

Mortgage Repurchase Facility. HomeAmerican has a Master Repurchase Agreement (the “Mortgage Repurchase Facility”) with U.S. Bank National Association (“USBNA”). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of up to an aggregate of \$75 million (subject to increase by up to \$75 million under certain conditions) of eligible mortgage loans to USBNA with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, the documents relating to such loans are held by USBNA, as custodian, pursuant to the Custody Agreement (“Custody Agreement”), dated as of November 12, 2008, by and between HomeAmerican and USBNA. In the event that an eligible mortgage loan becomes ineligible, as defined under the Mortgage Repurchase Facility, HomeAmerican may be required to repurchase the ineligible mortgage loan immediately. The Mortgage Repurchase Facility was amended on September 24, 2020, March 25, 2021 and May 20, 2021 to adjust the commitments to purchase for specific time periods. As part of the amendments, the commitments to purchase (subject to increase by up to \$75 million under certain conditions) were increased as follows: (1) \$200 million for the periods December 22, 2020 through February 4, 2021 and December 21, 2021 through February 3, 2022, (2) \$175 million for the periods March 25, 2021 through April 22, 2021, June 23, 2021 through July 22, 2021 and September 22, 2021 through October 21, 2021 and (3) \$150 million for the period March 23, 2022 through April 21, 2022. The Mortgage Repurchase Facility terminates on May 19, 2022.

The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$25 million on June 28, 2021 effective through July 22, 2021. The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$50 million on December 28, 2020 effective through January 27, 2021. At June 30, 2021 and December 31, 2020 HomeAmerican had \$164.7 million and \$202.4 million, respectively, of mortgage loans that HomeAmerican was obligated to repurchase under the Mortgage Repurchase Facility. Mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility are accounted for as a debt financing arrangement and are reported as mortgage repurchase facility in the consolidated balance sheets. Advances under the Mortgage Repurchase Facility carry a price range that is based on a LIBOR rate or successor benchmark rate.

The Mortgage Repurchase Facility contains various representations, warranties and affirmative and negative covenants that we believe are customary for agreements of this type. The negative covenants include, among others, (i) a minimum Adjusted Tangible Net Worth requirement, (ii) a maximum Adjusted Tangible Net Worth ratio, (iii) a minimum adjusted net income requirement, and (iv) a minimum Liquidity requirement. The foregoing capitalized terms are defined in the Mortgage Repurchase Facility. We believe HomeAmerican was in compliance with the representations, warranties and covenants included in the Mortgage Repurchase Facility as of June 30, 2021.

19. Related Party Transactions

The Company has a sublease agreement with CVentures, Inc. Larry A. Mizel, the Executive Chairman of the Company, is the President of CVentures, Inc. The sublease is for office space that CVentures, Inc. has continuously leased from the Company since 2005. The current sublease term commenced November 1, 2016 and will continue through October 31, 2026. The sublease agreement is for approximately 5,437 rentable square feet at a base rent that increases over the term from \$26.50 to \$31.67 per rentable square foot per year. The sublease rent is an allocation of the rent under the master lease agreement based on the sublease square footage.

20. Supplemental Guarantor Information

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

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

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

As the combined assets, liabilities and results of operations of M.D.C. Holdings, Inc. and the Guarantor Subsidiaries (the "Obligor Group") are not materially different from those in the homebuilding section of our consolidated balance sheets and consolidated statements of operations and comprehensive income, separate summarized financial information of the Obligor Group has not been included. As of June 30, 2021 and December 31, 2020, amounts due to non-guarantor subsidiaries from the Obligor Group totaled \$65.0 million and \$65.8 million, respectively.

Item 2. 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 Unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are based upon management's experiences, observations, and analyses. 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" of our Annual Report on Form 10-K for the year ended December 31, 2020 and this Quarterly Report on Form 10-Q.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in thousands, except per share amounts)				
Homebuilding:				
Home sale revenues	\$ 1,367,773	\$ 886,758	\$ 2,409,631	\$ 1,583,843
Home cost of sales	(1,051,181)	(707,789)	(1,865,069)	(1,266,436)
Gross profit	316,592	178,969	544,562	317,407
Gross margin	23.1 %	20.2 %	22.6 %	20.0 %
Selling, general and administrative expenses	(128,861)	(92,316)	(243,854)	(181,637)
Interest and other income	868	720	1,835	2,609
Other expense	(1,090)	(2,452)	(1,527)	(3,789)
Homebuilding pretax income	187,509	84,921	301,016	134,590
Financial Services:				
Revenues	33,318	32,964	78,341	54,850
Expenses	(16,440)	(12,178)	(31,545)	(23,107)
Other income (expense), net	1,155	5,931	2,042	(6,133)
Financial services pretax income	18,033	26,717	48,838	25,610
Income before income taxes	205,542	111,638	349,854	160,200
Provision for income taxes	(51,190)	(27,242)	(84,812)	(39,044)
Net income	\$ 154,352	\$ 84,396	\$ 265,042	\$ 121,156
Earnings per share:				
Basic	\$ 2.19	\$ 1.23	\$ 3.76	\$ 1.78
Diluted	\$ 2.11	\$ 1.21	\$ 3.62	\$ 1.73
Weighted average common shares outstanding:				
Basic	70,291,057	68,057,093	70,044,326	67,775,735
Diluted	72,715,273	69,207,415	72,754,141	69,701,942
Dividends declared per share	\$ 0.40	\$ 0.31	\$ 0.77	\$ 0.61
Cash provided by (used in):				
Operating Activities	\$ 70,041	\$ 92,877	\$ 12,084	\$ 55,704
Investing Activities	\$ (7,698)	\$ 42,512	\$ (13,447)	\$ 35,494
Financing Activities	\$ (97,592)	\$ 574	\$ 238,750	\$ (4,822)

Overview*Industry Conditions and Outlook for MDC**

The demand for our homes remained very strong during the second quarter of 2021, driven by low interest rates, an improving economy and a continued focus on suburban homeownership. In contrast, the supply of new and existing homes remained constrained, due in large part to the underproduction of new homes over the past decade. As a result of this supply-demand imbalance, we continued to raise sales prices in the majority of our communities during the second quarter in order to (1) offset cost increases, which have been significant due to labor and material shortages; (2) reduce our sales absorption rate to keep our backlog at a level that is manageable for our construction personnel and trade partners, and; (3) improve the profitability per home closed given the limits on construction capacity.

While our construction cycle times have been negatively impacted by an increased demand for labor and materials, our management team remains focused on minimizing the impact of any such disruptions on our home construction process. To that end, we delivered 2,722 homes during the second quarter, representing a 43% increase from the prior year quarter and an 80% increase from the second quarter of 2019.

We ended the quarter in a strong financial position, with total liquidity of \$1.91 billion and a debt-to-capital ratio of 37.3%. We continue to strategically deploy capital to grow our lot count and replenish our land pipeline. During the second quarter we acquired 3,686 lots across 66 communities and approved over 5,700 lots for purchase. We control 34,400 lots as of June 30, 2021, which represents a 37% increase year-over-year and provides a strong platform for the future growth of our Company. While we remain confident in the long term growth prospects for the industry, we continue to closely monitor developments related to COVID-19, which are highly uncertain and could adversely impact our operations and financial results in future periods.

Three Months Ended June 30, 2021

For the three months ended June 30, 2021, our net income was \$154.4 million, or \$2.11 per diluted share, a 83% increase compared to net income of \$84.4 million, or \$1.21 per diluted share, for the same period in the prior year. The increase was driven by our homebuilding operations, which generated pretax income of \$187.5 million. This represented an increase of \$102.6 million, or 121% from the second quarter of 2020. The increase in homebuilding pretax income was the result of a 54% increase in home sale revenues and a 390 basis point increase in our operating margin. The increase in operating margin was the result of our improved pricing over the last twelve months as well as better operating leverage as we continue to see strong results in our more traditional markets and the results of better scale within some of our smaller markets. Our financial services pretax income decreased \$8.7 million or 33% from the prior year period to \$18.0 million. The decrease in financial services pretax income was primarily due to \$5.0 million of gains on equity securities recognized during the prior year quarter. No such gains or losses were recognized in the current year to date. Our mortgage business experienced a small decrease in pretax income year-over-year due to increased competition in the primary mortgage market, increased compensation related costs and a temporary decrease in the number of mortgages we originated as a percentage of our total home delivered ("Capture Rate").

The dollar value of our net new home orders increased 40% from the prior year period, due to a 14% increase in the number of net new orders and a 24% increase in the average selling price of those orders. The increase in the number of net new orders was due to an increase in the monthly sales absorption rate driven by strong demand during the quarter as noted above. The increase in the average selling price was the result of price increases implemented over the past twelve months.

Six Months Ended June 30, 2021

For the six months ended June 30, 2021, our net income was \$265.0 million, or \$3.62 per diluted share, a 119% increase compared to net income of \$121.2 million, or \$1.73 per diluted share, for the same period in the prior year. Both our homebuilding and financial services businesses contributed to the increase, as pretax income from our homebuilding operations increased \$166.4 million, or 124%, and our financial services pretax income increased \$23.2 million, or 91%. The main drivers of the increase in homebuilding pretax income are consistent with the second quarter discussed above. The increase in financial services pretax income was primarily due to our mortgage business, which experienced an increase in loan origination and sales activity driven by the overall increase in volume of our homebuilding operations. Additionally, \$8.3 million of net losses on equity securities were recognized in the prior year period, further impacting the year-over-year increase in financial services pretax income.

* See "**Forward-Looking Statements**" below.

Homebuilding
Pretax Income:

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(Dollars in thousands)							
West	\$ 132,919	\$ 48,745	\$ 84,174	173 %	\$ 210,106	\$ 85,321	\$ 124,785	146 %
Mountain	64,052	41,807	22,245	53 %	109,910	63,319	46,591	74 %
East	10,846	3,073	7,773	253 %	18,681	3,973	14,708	370 %
Corporate	(20,308)	(8,704)	(11,604)	(133)%	(37,681)	(18,023)	(19,658)	(109)%
Total Homebuilding pretax income	\$ 187,509	\$ 84,921	\$ 102,588	121 %	\$ 301,016	\$ 134,590	\$ 166,426	124 %

For the three months ended June 30, 2021, we recorded homebuilding pretax income of \$187.5 million, an increase of 121% from \$84.9 million for the same period in the prior year. The increase was due to a 54% increase in home sale revenues, a 290 basis point increase in our gross margin from home sales and a 100 basis point decrease in our selling, general and administrative expenses as a percentage of revenue.

Our West segment experienced a \$84.2 million year-over-year increase in pretax income, due to a 73% increase in home sales revenue and an improved gross margin. Our Mountain segment experienced a \$22.2 million increase in pretax income from the prior year, as a result of a 27% increase in home sales revenue and an improved gross margin. Our East segment experienced a \$7.8 million increase in pretax income from the prior year, due to an improved gross margin as well as a 49% increase in home sales revenue. Each of our homebuilding segments also benefited from decreased selling, general and administrative expenses as a percentage of revenue driven by improved operating leverage. Our Corporate segment experienced an \$11.6 million increase in pretax loss, due primarily to increases in stock-based and deferred compensation expenses as well as increased bonus expense.

For the six months ended June 30, 2021, we recorded homebuilding pretax income of \$301.0 million, an increase of 124% from \$134.6 million for the same period in the prior year. The increase was due to a 52% increase in home sale revenues, a 260 basis point increase in our gross margin from home sales and a 140 basis point decrease in our selling, general and administrative expenses as a percentage of revenue. Commentary on the drivers of the increase in pretax income in our individual homebuilding segments is consistent with the 2021 second quarter discussion above.

Assets:

	June 30,	December 31,	Change	
	2021	2020	Amount	%
	(Dollars in thousands)			
West	\$ 2,083,436	\$ 1,855,567	227,869	12 %
Mountain	994,226	905,007	89,219	10 %
East	372,166	274,937	97,229	35 %
Corporate	690,572	470,909	219,663	47 %
Total homebuilding assets	\$ 4,140,400	\$ 3,506,420	\$ 633,980	18 %

Total homebuilding assets increased 18% from December 31, 2020 to June 30, 2021. Homebuilding assets increased in each of our operating segments largely due to a greater number of homes completed or under construction as of period-end. Corporate assets increased as a result of the issuance of \$350 million of 2.500% senior notes in January of this year.

New Home Deliveries & Home Sale Revenues:

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

	Three Months Ended June 30,								
	2021			2020			% Change		
	Homes	Home Sale Revenues	Average Price	Homes	Home Sale Revenues	Average Price	Homes	Home Sale Revenues	Average Price
	(Dollars in thousands)								
West	1,672	\$ 847,683	\$ 507.0	1,017	\$ 490,117	\$ 481.9	64 %	73 %	5 %
Mountain	711	400,633	563.5	608	316,666	520.8	17 %	27 %	8 %
East	339	119,457	352.4	275	79,975	290.8	23 %	49 %	21 %
Total	2,722	\$ 1,367,773	\$ 502.5	1,900	\$ 886,758	\$ 466.7	43 %	54 %	8 %

	Six Months Ended June 30,								
	2021			2020			% Change		
	Homes	Home Sale Revenues	Average Price	Homes	Home Sale Revenues	Average Price	Homes	Home Sale Revenues	Average Price
	(Dollars in thousands)								
West	2,948	\$ 1,464,294	\$ 496.7	1,888	\$ 895,615	\$ 474.4	56 %	63 %	5 %
Mountain	1,323	725,350	548.3	1,043	539,524	517.3	27 %	34 %	6 %
East	629	219,987	349.7	516	148,704	288.2	22 %	48 %	21 %
Total	4,900	\$ 2,409,631	\$ 491.8	3,447	\$ 1,583,843	\$ 459.5	42 %	52 %	7 %

West Segment Commentary

For the three and six months ended June 30, 2021, the increase in new home deliveries was the result of an increase in the number of homes in backlog to begin the respective periods. This increase was partially offset for the six months ended June 30, 2021 by a decrease in backlog conversion rates in most of our markets within this segment. This decrease was due to (1) the construction status of homes in beginning backlog, which on average were at a more preliminary stage of construction as compared to the prior year periods and (2) increased cycle times resulting from extended permitting times and minor supply chain disruptions. The average selling price of homes delivered increased as a result of price increases implemented over the last twelve months as well as a shift in geographic mix of homes delivered from Arizona to Southern California. These increases were partially offset by a shift in mix to lower priced communities.

Mountain Segment Commentary

For the three and six months ended June 30, 2021, the increase in new home deliveries was the result of an increase in the number of homes in backlog to begin the respective periods. This increase was partially offset by a decrease in backlog conversion rates as a result of (1) the construction status of homes in beginning backlog, which on average were at a more preliminary stage of construction as compared to the prior year periods and (2) a lower percentage of homes both sold and delivered in the respective periods as compared to the prior year periods. The increase in the average selling price of homes delivered was the result of price increases implemented over the past twelve months.

East Segment Commentary

For the three and six months ended June 30, 2021, the increase in new home deliveries was the result of an increase in the number of homes in backlog to begin the respective periods. This increase was partially offset by a decrease in backlog conversion rates due to a (1) the construction status of homes in beginning backlog, which on average were at a more preliminary stage of construction as compared to the prior year periods, (2) increased cycle times resulting from extended permitting times and minor supply chain disruptions and (3) a lower percentage of homes both sold and delivered in the respective periods as compared to the prior year periods. The average selling price of homes delivered increased as a result of price increases implemented over the last twelve months as well as a shift in geographic mix of homes delivered to our mid-Atlantic market.

Gross Margin from Home Sales:

Our gross margin from home sales for the three months ended June 30, 2021, increased 290 basis points year-over-year from 20.2% to 23.1%. Gross margin from home sales increased across each of our segments on both build-to-order and speculative home deliveries driven by price increases implemented across nearly all of our communities over the past twelve months. Our gross margin from home sales in the 2021 second quarter was also positively impacted by a 60 basis point improvement in our capitalized interest in cost of sales as a percentage of home sale revenues. These increases were partially offset by an increase in building costs year-over-year.

Our gross margin from home sales for the six months ended June 30, 2021, increased 260 basis points year-over-year from 20.0% to 22.6%. The primary drivers of the improved gross margin from home sales for the six months ended June 30, 2021 are consistent with those noted above for the three months ended June 30, 2021.

Selling, General and Administrative Expenses:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
	(Dollars in thousands)					
General and administrative expenses	\$ 61,958	\$ 40,419	\$ 21,539	\$ 119,121	\$ 85,508	\$ 33,613
<i>General and administrative expenses as a percentage of home sale revenues</i>	4.5 %	4.6 %	-10 bps	4.9 %	5.4 %	-50 bps
Marketing expenses	\$ 26,832	\$ 22,657	\$ 4,175	\$ 52,535	\$ 44,103	\$ 8,432
<i>Marketing expenses as a percentage of home sale revenues</i>	2.0 %	2.6 %	-60 bps	2.2 %	2.8 %	-60 bps
Commissions expenses	\$ 40,071	\$ 29,240	\$ 10,831	\$ 72,198	\$ 52,026	\$ 20,172
<i>Commissions expenses as a percentage of home sale revenues</i>	2.9 %	3.3 %	-40 bps	3.0 %	3.3 %	-30 bps
Total selling, general and administrative expenses	\$ 128,861	\$ 92,316	\$ 36,545	\$ 243,854	\$ 181,637	\$ 62,217
<i>Total selling, general and administrative expenses as a percentage of home sale revenues</i>	9.4 %	10.4 %	-100 bps	10.1 %	11.5 %	-140 bps

General and administrative expenses increased for the three and six months ended June 30, 2021 due to (1) increased stock-based and deferred compensation expenses, (2) increased bonus expense and (3) increased salary related expenses due to higher average headcount during the respective periods.

Marketing expenses increased for the three and six months ended June 30, 2021 as a result of increased deferred selling amortization and master marketing fees resulting from increased closings.

Commissions expenses increased for the three and six months ended June 30, 2021 due to the increase in homes sale revenues year-over-year.

Other Homebuilding Operating Data

Net New Orders and Active Subdivisions:

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

	2021				2020						
	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Dollar Value	Average Price	Monthly Absorption Rate *	Homes	Doll	
											(Dollars in thousands)
West	1,602	\$ 850,742	\$ 531.0	5.67	1,309	\$ 574,996	\$ 439.3	4.62	22	%	48
Mountain	706	433,793	614.4	4.18	758	362,228	477.9	3.99	(7)	%	20
East	406	180,205	443.9	3.56	323	106,436	329.5	3.53	26	%	69
Total	2,714	\$ 1,464,740	\$ 539.7	4.80	2,390	\$ 1,043,660	\$ 436.7	4.23	14	%	40

	2021				2020				% 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
West	3,377	\$ 1,791,809	\$ 530.6	5.73	2,691	\$ 1,262,330	\$ 469.1	4.88	25 %	42 %	13 %	17 %
Mountain	1,717	1,017,585	592.7	5.03	1,451	722,197	497.7	3.76	18 %	41 %	19 %	34 %
East	829	354,950	428.2	4.03	647	206,911	319.8	3.58	28 %	72 %	34 %	13 %
Total	5,923	\$ 3,164,344	\$ 534.2	5.21	4,789	\$ 2,191,438	\$ 457.6	4.28	24 %	44 %	17 %	22 %

*Calculated as total net new orders (gross orders less cancellations) in period ÷ average active communities during period ÷ number of months in period.

	Active Subdivisions			Average Active Subdivisions Three Months Ended			Average Active Subdivisions Six Months Ended		
	June 30,		% Change	June 30,		% Change	June 30,		% Change
	2021	2020		2021	2020		2021	2020	
West	91	96	(5)%	94	95	(1)%	98	92	7 %
Mountain	55	63	(13)%	56	63	(11)%	57	64	(11)%
East	41	33	24 %	38	31	23 %	34	30	13 %
Total	187	192	(3)%	188	189	(1)%	189	186	2 %

West Segment Commentary

For the three and six months ended June 30, 2021, the increase in net new orders was due to an increase in the monthly sales absorption rate, most notably in our California, Oregon and Washington markets. For the six months ended June 30, 2021, the increase in net new orders also benefited from an increase in average active subdivisions year-over-year. The increase in average selling price was due to price increases implemented over the past twelve months within nearly all of our communities. This increase was slightly offset by a shift in mix to lower priced communities.

Mountain Segment Commentary

For the three months ended June 30, 2021, the decrease in net new orders was due to a decrease in average active subdivisions within our Colorado markets. This decrease was partially offset by an increase in the monthly sales absorption rate in our Colorado markets.

For the six months ended June 30, 2021, the increase in net new orders was due to an increase in the monthly sales absorption rates in our Colorado markets. This increase was partially offset by a decrease in average active subdivisions within our Colorado markets.

For the three and six months ended June 30, 2021, the increase in average selling price was due to price increases implemented over the last twelve months within nearly all of our communities.

East Segment Commentary

For the three months ended June 30, 2021, the increase in net new orders was primarily driven by an increase in average active subdivisions within each of our Florida and mid-Atlantic markets.

For the six months ended June 30, 2021, the increase in net new orders was driven by both an increase in the monthly sales absorption rates as well as an increase in average active subdivisions within each of our Florida and mid-Atlantic markets.

For the three and six months ended June 30, 2021, the increase in average selling price was due to price increases implemented over the last twelve months within nearly all of our communities. Additionally, we experienced a shift in mix within several markets to higher priced communities.

Cancellation Rate:

	Cancellations as a Percentage of Homes in Beginning Backlog							
	2021				2020			
	March 31,		June 30,		March 31,		June 30,	
West	7	%	5	%	15	%	14	%
Mountain	8	%	5	%	22	%	20	%
East	13	%	9	%	23	%	22	%
Total	8	%	6	%	18	%	17	%

Our cancellations as a percentage of homes in beginning backlog to start the quarter ("cancellation rate") decreased year-over-year in each of our segments. The cancellation rate in the first and second quarter of 2020 was negatively impacted by the pandemic.

Backlog:

	2021			June 30, 2020			% Change					
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price			
	(Dollars in thousands)											
West	4,139	\$ 2,204,500	\$ 532.6	2,826	\$ 1,336,251	\$ 472.8	46	%	65	%	13	%
Mountain	2,412	1,426,496	591.4	1,619	816,559	504.4	49	%	75	%	17	%
East	1,127	482,736	428.3	698	220,362	315.7	61	%	119	%	36	%
Total	7,678	\$ 4,113,732	\$ 535.8	5,143	\$ 2,373,172	\$ 461.4	49	%	73	%	16	%

At June 30, 2021, we had 7,678 homes in backlog with a total value of \$4.1 billion. This represented a 49% increase in the number of homes in backlog and a 73% increase in the dollar value of homes in backlog from June 30, 2020. The increase in the number of homes in backlog is primarily a result of the year-over-year increase in net new orders over the past nine months. The increase in the average selling price of homes in backlog is due to price increases implemented over the past twelve months in nearly all of our communities as well as a shift in our net new order mix in our East segment as discussed above. Our ability to convert backlog into closings could be negatively impacted in future periods by the pandemic, the extent to which is highly uncertain and depends on future developments.

Homes Completed or Under Construction (WIP lots):

	June 30,		% Change	
	2021	2020		
Unsold:				
Completed	19	109	(83)	%
Under construction	214	191	12	%
Total unsold started homes	233	300	(22)	%
Sold homes under construction or completed	6,655	3,573	86	%
Model homes under construction or completed	502	502	—	%
Total homes completed or under construction	7,390	4,375	69	%

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

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

	June 30, 2021			June 30, 2020			Total % Change
	Lots Owned	Lots Optioned	Total	Lots Owned	Lots Optioned	Total	
West	13,265	4,729	17,994	9,364	2,619	11,983	50 %
Mountain	6,599	4,174	10,773	6,076	2,667	8,743	23 %
East	3,636	1,997	5,633	2,260	2,041	4,301	31 %
Total	23,500	10,900	34,400	17,700	7,327	25,027	37 %

Our total owned and optioned lots at June 30, 2021 were 34,400, which was a 37% increase year-over-year. We believe that our total lot supply, coupled with our planned acquisition activity, can support growth in future periods. See "**Forward-Looking Statements**" below.

Financial Services

	Three Months Ended		Change		Six Months Ended		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(Dollars in thousands)							
Financial services revenues								
Mortgage operations	\$ 23,321	\$ 24,363	\$ (1,042)	(4)%	\$ 58,486	\$ 38,988	\$ 19,498	50 %
Other	9,997	8,601	1,395	16 %	19,855	15,862	3,993	25 %
Total financial services revenues	<u>\$ 33,318</u>	<u>\$ 32,964</u>	<u>\$ 354</u>	1 %	<u>\$ 78,341</u>	<u>\$ 54,850</u>	<u>\$ 23,491</u>	43 %
Financial services pretax income								
Mortgage operations	\$ 14,088	\$ 17,506	(3,418)	(20)%	\$ 40,127	\$ 25,749	\$ 14,379	56 %
Other	3,945	9,211	(5,266)	(57)%	8,711	(139)	8,850	N/M
Total financial services pretax income (loss)	<u>\$ 18,033</u>	<u>\$ 26,717</u>	<u>(8,684)</u>	(33)%	<u>\$ 48,838</u>	<u>\$ 25,610</u>	<u>\$ 23,228</u>	91 %

For the three months ended June 30, 2021, our financial services pretax income decreased by \$8.7 million, or 33% from the same period in the prior year. The decrease was due to both our mortgage operations as well as other financial services. The decrease in our mortgage operations was due to increased competition in the primary mortgage market, increased compensation related costs and a temporary decrease in our Capture Rate. The decrease in other financial services was primarily the result of \$5.0 million of gains on equity securities recognized during the prior year quarter.

For the six months ended June 30, 2021, our financial services pretax income increased \$23.2 million, or 91% from the same period in the prior year. The increase was due to both our mortgage operations as well as other financial services. The increase in our mortgage operations was due to an increase in loan origination and sales activity driven by the overall increase in volume of our homebuilding operations. The increase in other financial services was primarily the result of \$8.3 million of net losses on equity securities recognized during the prior year period.

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

	Three Months Ended June 30,				Six Months Ended June 30,							
	2021		2020		2021		2020					
					% or Percentage Change		% or Percentage Change					
(Dollars in thousands)												
Total Originations (including transfer loans):												
Loans	1,564		1,336		17	%	3,132	2,365	32	%		
Principal	\$ 643,129		\$ 497,566		29	%	\$ 1,259,134	\$ 876,872	44	%		
Capture Rate												
Data:												
Capture rate as % of all homes delivered	57	%	69	%	(12)	%	64	%	68	%	(4)	%
Capture rate as % of all homes delivered (excludes cash sales)	60	%	72	%	(12)	%	66	%	71	%	(5)	%
Mortgage Loan Origination Product Mix:												
FHA loans	18	%	21	%	(3)	%	19	%	21	%	(2)	%
Other government loans (VA & USDA)	18	%	21	%	(3)	%	18	%	22	%	(4)	%
Total government loans	36	%	42	%	(6)	%	37	%	43	%	(6)	%
Conventional loans	64	%	58	%	6	%	63	%	57	%	6	%
	100	%	100	%	—	%	100	%	100	%	—	%
Loan Type:												
Fixed rate	100	%	100	%	—	%	100	%	99	%	1	%
ARM	—	%	—	%	—	%	—	%	1	%	(1)	%
Credit Quality:												
Average FICO Score	740		737		—	%	739		736		—	%
Other Data:												
Average Combined LTV ratio	84	%	84	%	—	%	85	%	84	%	1	%
Full documentation loans	100	%	100	%	—	%	100	%	100	%	—	%
Loans Sold to Third Parties:												
Loans	1,701		1,229		38	%	3,287	2,428	35	%		
Principal	\$ 689,530		\$ 460,111		50	%	\$ 1,300,428	\$ 898,213	45	%		

Income Taxes

Our overall effective income tax rates were 24.9% and 24.2% for the three and six months ended June 30, 2021 and 24.4% for both the three and six months ended June 30, 2020. The rates for the three and six months ended June 30, 2021 resulted in income tax expense of \$51.2 million and \$84.8 million, respectively, compared to income tax expense of \$27.2 million and \$39.0 million for the three and six months ended June 30, 2020, respectively. The year-over-year increase in the effective tax rate for the three months ended June 30, 2021, was primarily due to an increase in pretax income, in addition to a decrease in the amount of executive compensation that is deductible under Internal Revenue Code Section 162(m).

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

Our critical accounting estimates and policies have not changed from those reported in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

Capital Resources

Our capital structure is primarily a combination of: (1) permanent financing, represented by stockholders' equity; (2) long-term financing, represented by our 5.500% senior notes due 2024, 3.850% senior notes due 2030, 2.500% senior notes due 2031 and our 6.000% senior notes due 2043; (3) our Revolving Credit Facility (defined below); and (4) our Mortgage Repurchase Facility (defined below). Because of our current balance of cash, cash equivalents, ability to access the capital markets, and available capacity under both our Revolving Credit Facility and Mortgage Repurchase Facility, we believe that our capital resources are adequate to satisfy our short and long-term capital requirements, including meeting future payments on our senior notes as they become due. See "**Forward-Looking Statements**" below.

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

Senior Notes, Revolving Credit Facility and Mortgage Repurchase Facility

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

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

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

The Revolving Credit Facility is subject to acceleration upon certain specified events of default, including breach of the consolidated tangible net worth covenant, a violation of anti-corruption or sanctions laws, failure to make timely payments, breaches of certain representations or covenants, failure to pay other material indebtedness, or another person becoming beneficial owner of 50% or more of our outstanding common stock. We believe we were in compliance with the representations, warranties and covenants included in the Revolving Credit Facility as of June 30, 2021.

We incur costs associated with unused commitment fees pursuant to the terms of the Revolving Credit Facility. At June 30, 2021 and December 31, 2020, there were \$37.7 million and \$25.1 million, respectively, in letters of credit outstanding, which reduced the amounts available to be borrowed under the Revolving Credit Facility. At June 30, 2021 and December 31, 2020, we had \$10.0 million and \$10.0 million, respectively, outstanding under the Revolving Credit Facility. As of June 30, 2021, availability under the Revolving Credit Facility was approximately \$1.15 billion.

Mortgage Repurchase Facility. HomeAmerican has a Master Repurchase Agreement (the “Mortgage Repurchase Facility”) with U.S. Bank National Association (“USBNA”). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of up to an aggregate of \$75 million (subject to increase by up to \$75 million under certain conditions) of eligible mortgage loans to USBNA with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, the documents relating to such loans are held by USBNA, as custodian, pursuant to the Custody Agreement (“Custody Agreement”), dated as of November 12, 2008, by and between HomeAmerican and USBNA. In the event that an eligible mortgage loan becomes ineligible, as defined under the Mortgage Repurchase Facility, HomeAmerican may be required to repurchase the ineligible mortgage loan immediately. The Mortgage Repurchase Facility was amended on September 24, 2020, March 25, 2021 and May 20, 2021 to adjust the commitments to purchase for specific time periods. As part of the amendments, the commitments to purchase (subject to increase by up to \$75 million under certain conditions) were increased as follows: (1) \$200 million for the periods December 22, 2020 through February 4, 2021 and December 21, 2021 through February 3, 2022, (2) \$175 million for the periods March 25, 2021 through April 22, 2021, June 23, 2021 through July 22, 2021 and September 22, 2021 through October 21, 2021 and (3) \$150 million for the period March 23, 2022 through April 21, 2022. The Mortgage Repurchase Facility terminates on May 19, 2022.

The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$25 million on June 28, 2021 effective through July 22, 2021. The maximum aggregate commitment of the Mortgage Repurchase Facility was temporarily increased by \$50 million on December 28, 2020 effective through January 27, 2021. At June 30, 2021 and December 31, 2020, HomeAmerican had \$164.7 million and \$202.4 million, respectively, of mortgage loans that HomeAmerican was obligated to repurchase under the Mortgage Repurchase Facility. Mortgage loans that HomeAmerican is obligated to repurchase under the Mortgage Repurchase Facility are accounted for as a debt financing arrangement and are reported as mortgage repurchase facility in the consolidated balance sheets. Advances under the Mortgage Repurchase Facility carry a price range that is based on a LIBOR rate or successor benchmark rate.

The Mortgage Repurchase Facility contains various representations, warranties and affirmative and negative covenants that we believe are customary for agreements of this type. The negative covenants include, among others, (i) a minimum Adjusted Tangible Net Worth requirement, (ii) a maximum Adjusted Tangible Net Worth ratio, (iii) a minimum adjusted net income requirement, and (iv) a minimum Liquidity requirement. The foregoing capitalized terms are defined in the Mortgage Repurchase Facility. We believe HomeAmerican was in compliance with the representations, warranties and covenants included in the Mortgage Repurchase Facility as of June 30, 2021.

Dividends

During the three months ended June 30, 2021 and 2020, we paid cash dividends of \$0.40 per share and \$0.31 per share, respectively.

MDC Common Stock Repurchase Program

At June 30, 2021, we were authorized to repurchase up to 4,000,000 shares of our common stock. We did not repurchase any shares of our common stock during the three months ended June 30, 2021.

Consolidated Cash Flow

During the six months ended June 30, 2021 and 2020, we generated \$12.1 million and \$55.7 million of cash from operating activities, respectively. The most significant source of cash provided by operating activities in both periods was net income. Cash provided by the change in accounts payable and accrued liabilities for the six months ended June 30, 2021 and 2020 was \$70.6 million and \$40.5 million, respectively, due to the increased construction spend during both periods as a result of the year-over-year increases in home deliveries as well as the increase in homes in inventory at both period ends. Cash provided from the sale of mortgage loans for the six months ended June 30, 2021 and 2020 was \$46.5 million and \$23.5 million, respectively, resulting from the seasonal nature of our business and the above average level of loan originations that occur during the month of December. Cash provided by the decrease in land and land under development for the six months ended June 30, 2021 and 2020, was \$36.4 million and \$94.9 million, respectively. The level of lot acquisitions during the six months ended June 30, 2020 was negatively impacted by the pandemic. Cash used to increase housing completed or under construction for the six months ended June 30, 2021 and 2020 was \$385.7 million and \$233.8 million, respectively, as homes in inventory increased significantly during both periods. Cash used to increase trade and other receivables for the six months ended June 30, 2021 and 2020 was \$57.1 million and \$23.5 million, respectively, due to the year-over-year increases in home deliveries during both periods.

During the six months ended June 30, 2021, net cash used in investing activities was \$13.4 million compared with net cash provided by investing activities of \$35.5 million in the prior year period. This difference primarily relates to \$48.5 million in net cash provided by the sale of marketable securities during the six months ended June 30, 2020. Cash used to purchase property and equipment remained consistent year-over-year.

During the six months ended June 30, 2021, net cash provided by financing activities was \$238.8 million compared with cash use of \$4.8 million in the prior year period. The primary driver of this increase in cash provided by financing activities was the proceeds from the issuance of senior notes of \$347.7 million during the six months ended June 30, 2021.

Off-Balance Sheet Arrangements

Lot Option Purchase Contracts. In the ordinary course of business, we enter into lot option purchase contracts in order to procure lots for the construction of homes. Lot option contracts enable us to control lot positions with a minimal capital investment, which substantially reduces the risks associated with land ownership and development. At June 30, 2021, we had deposits of \$37.5 million in the form of cash and \$12.2 million in the form of letters of credit that secured option contracts to purchase 10,900 lots for a total estimated purchase price of \$812.6 million.

Surety Bonds and Letters of Credit. At June 30, 2021, we had outstanding surety bonds and letters of credit totaling \$295.5 million and \$151.7 million, respectively, including \$114.0 million in letters of credit issued by HomeAmerican. The estimated cost to complete obligations related to these bonds and letters of credit was approximately \$140.2 million and \$107.5 million, respectively. We expect that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business and in accordance with the applicable contractual terms. To the extent that the obligations are performed, the related performance bonds and letters of credit should be released and we should not have any continuing obligations. However, in the event any such performance bonds or letters of credit are called, our indemnity obligations could require us to reimburse the issuer of the performance bond or letter of credit.

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

IMPACT OF INFLATION, CHANGING PRICES AND ECONOMIC CONDITIONS

The impact of inflation and changing prices have not changed materially from the disclosure in our December 31, 2020 Annual Report on Form 10-K.

OTHER

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q, 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 operations, 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. Additionally, information about issues that could lead to material changes in performance and risk factors that have the potential to affect us is contained under the caption “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and Item 1A of Part II of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

As of June 30, 2021, our cash and cash equivalents included commercial bank deposits and money market funds.

We are exposed to market risks related to fluctuations in interest rates on mortgage loans held-for-sale, mortgage interest rate lock commitments and debt. Derivative instruments utilized in the normal course of business by HomeAmerican include interest rate lock commitments and forward sales of mortgage-backed securities, which are used to manage the price risk on fluctuations in interest rates on our mortgage loans in inventory and interest rate lock commitments to originate mortgage loans. Such contracts are the only significant financial derivative instruments utilized by MDC. HomeAmerican's mortgage loans in process for which a rate and price commitment had been made to a borrower that had not closed at June 30, 2021 had an aggregate principal balance of \$306.0 million, all of which were under interest rate lock commitments at an average interest rate of 3.26%. In addition, HomeAmerican had mortgage loans held-for-sale with an aggregate principal balance of \$179.6 million at June 30, 2021, of which \$64.9 million had not yet been committed to a mortgage purchaser and had an average interest rate of 3.07%. In order to hedge the changes in fair value of interest rate lock commitments and mortgage loans held-for-sale which had not yet been committed to a mortgage purchaser, HomeAmerican had forward sales of securities totaling \$189.5 million and \$203.0 million at June 30, 2021 and December 31, 2020, respectively.

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

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

Item 4. Controls and Procedures

- (a) *Conclusion regarding the effectiveness of disclosure controls and procedures* - An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed under the supervision, and with the participation, of our management, including the Executive Chairman (principal executive officer) and the Chief Financial Officer (principal financial officer). Based on that evaluation, our management, including the Executive Chairman and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.
- (b) *Changes in internal control over financial reporting* - There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

M.D.C. HOLDINGS, INC.
FORM 10-Q

PART II

Item 1. 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 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors that appeared under Item 1A. Risk Factors in the Company's 2020 Annual Report on Form 10-K. There are no material changes from the risk factors included within the Company's 2020 Annual Report on Form 10-K, other than the risk described below.

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

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about our repurchase of common stock during the three months ended June 30, 2021:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program ⁽²⁾	Maximum Number of Shares that may yet be Purchased under the Plan or Program ⁽²⁾
April 1 to April 30, 2021	—	N/A	—	4,000,000
May 1 to May 31, 2021	—	N/A	—	4,000,000
June 1 to June 30, 2021	—	N/A	—	4,000,000

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

⁽²⁾ We are authorized to repurchase up to 4,000,000 shares of our common stock. There were no shares of MDC common stock repurchased under this repurchase program during the three month period ended June 30, 2021.

Item 6. Exhibits

- 3.1 [Amendment to the Bylaws of MDC, as of June 28, 2021 \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed June 30, 2021\).](#) *
- 10.1 [M.D.C. Holdings, Inc. 2021 Equity Incentive Plan, effective April 26, 2021 \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 28, 2021\).](#) *
- 10.2 [Form of Restricted Stock Agreement \(2021 Equity Incentive Plan\).](#)
- 10.3 [Form of Stock Option Agreement \(2021 Equity Incentive Plan\).](#)
- 10.4 [Form of Executive Officer Restricted Stock Agreement \(2021 Equity Incentive Plan\).](#)
- 10.5 [Form of Executive Officer Stock Option Agreement \(2021 Equity Incentive Plan\).](#)
- 10.6 [Form of Senior Executive Officer Restricted Stock Agreement \(2021 Equity Incentive Plan\).](#)
- 10.7 [Form of Senior Executive Officer Stock Option Agreement \(2021 Equity Incentive Plan\).](#)
- 10.8 [Seventh Amendment to Amended and Restated Master Repurchase Agreement between HomeAmerican Mortgage Corporation, as Seller, and U.S. Bank National Association, as Agent and Buyer, dated as of May 20, 2021 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 20, 2021\).](#) *
- 10.9 [Amendment to Employment Agreement, between Larry A. Mizel and the Company, dated as of June 28, 2021 \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed June 30, 2021\).](#) *
- 10.10 [Amendment to Employment Agreement, between David D. Mandarich, and the Company, dated as of June 28, 2021, \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed June 30, 2021\).](#) *
- 22 [Subsidiary Guarantors.](#)
- 31.1 [Certification of principal executive officer required by 17 CFR 240.13a-14\(a\), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of principal financial officer required by 17 CFR 240.13a-14\(a\), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of principal executive officer required by 17 CFR 240.13a-14\(b\), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of principal financial officer required by 17 CFR 240.13a-14\(b\), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial statements, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (ii) Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, (iii) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and 2020, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020; and (v) Notes to the Unaudited Consolidated Financial Statements, tagged as blocks of text.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Incorporated by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 29, 2021

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

By: /s/ Robert N. Martin

Robert N. Martin

Senior Vice President and Chief Financial Officer (principal financial officer and duly authorized officer)

M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

M.D.C. Holdings, Inc., a Delaware corporation (the “Company”), awards to the Employee named below restricted shares of the Company’s common stock, \$0.01 par value per share (“Restricted Stock”) under the Company’s 2021 Equity Incentive Plan (the “Plan”). This Restricted Stock Agreement (the “Agreement”) evidences the terms of the Company’s award of the Restricted Stock to Employee.

A. NOTICE OF GRANT

Name of Employee:

Number of Shares of Restricted Stock:

Closing Price on Grant Date (NYSE): \$

Aggregate Fair Market Value:* \$

Grant Date:

Lapse Schedule: Except as provided otherwise in this Agreement and the Plan, and subject to Employee’s continuous employment with the Company from the Grant Date through each lapse date set forth below, the Forfeiture Restrictions shall lapse as to the Restricted Stock in accordance with the following schedule:

Lapse Date	Percentage of Shares	
	Lapse of Forfeiture Restrictions	Cumulative Unrestricted Stock
	__%	__%
	__%	__%
	__%	__%
	__%	__%

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

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

B. RESTRICTED STOCK AGREEMENT

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

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

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

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

5. **Lapse of Forfeiture Restrictions.** Except as may be otherwise provided in this Agreement or the Plan, subject to Employee's continuous employment with the Company from the Grant Date through each lapse date, the Forfeiture Restrictions shall lapse as to the Restricted Stock in accordance with the schedule set forth in the Notice of Award on the cover page of this Agreement. If at any time the number of shares as to which the Forfeiture Restrictions are scheduled to lapse includes a fractional share, the number of shares of Restricted Stock as to which the Forfeiture Restrictions shall actually lapse shall be rounded down to the next whole share of Restricted Stock. If, prior to the lapse of the Forfeiture Restrictions, the Employee resigns, Employee's employment terminates on account of death, Disability or retirement, or the Company terminates Employee's employment for Cause, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. However, if the Employee's employment is terminated by the Company other than for Cause, and conditioned on the Employee signing an agreement in a form satisfactory to the Company releasing claims against the Company and its employees, agents and Affiliates, the Forfeiture Restrictions shall lapse as to all of the shares of

Restricted Stock that, at that time (the end of employment), remain subject to Forfeiture Restrictions; if the employee does not sign the agreement within the period of time specified by the Company, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. Upon forfeiture of shares of Restricted Stock, Employee shall have no further rights with respect to such shares, including but not limited to voting, dividend, and liquidation rights.

6. **Leave of Absence.** For purposes of the Award, Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

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

If the Employee is a non-section 16 reporting person, shares of Stock from the released shares will be sold to cover the entire amount of taxes due on the lapse date and any sales commissions owed in connection with such sale of shares of Stock.

8. **Transfer of Restricted Stock.** If any transfer of Restricted Stock is made or attempted to be made contrary to the terms of this Agreement or the Plan, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or the transferee, at any time before or after such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The

Company may refuse for any purpose to recognize any transferee who receives such shares contrary to the provisions of this Agreement as a shareholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

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

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

11. **Shareholder Rights.** Unless and until shares of the Restricted Stock are forfeited as hereinafter provided, Employee shall have all of the rights of a shareholder (including voting, dividend and liquidation rights) with respect to the shares of Restricted Stock, subject, however, to the terms and conditions set forth in this Agreement.

12. **Adjustments.** The number of shares of Restricted Stock outstanding under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of the Company's Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's shareholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of shares of Restricted Stock subject to this Agreement.

13. **Change of Control.** Upon a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to the Restricted Stock granted hereunder, including, without limitation, providing that such Restricted Stock be fully or partially vested.

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

15. **Forfeiture.** Employee acknowledges that the Restricted Stock granted hereunder is subject to any clawback policy as may be adopted or amended by the Company, an Affiliate, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Employee further acknowledges the Committee has the right, at its discretion, to require Employee to return the Restricted Stock granted hereunder to the Company as a condition to receiving a subsequent Award.

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

17. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

18. **Tax Treatment; Section 83(b).** Employee may incur tax liability as a result of the vesting of Restricted Stock and the payment of dividends or the disposition of Shares. Employee agrees to consult Employee's own tax adviser for tax advice. Employee hereby acknowledges that Employee has been informed that Employee may file with the Internal Revenue Service, within 30 days of the Grant Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Grant Date on the Fair Market Value of the Restricted Shares. If Employee chooses to file an election under Section 83(b) of the Code, Employee hereby agrees to promptly deliver a copy of any such election to the head of the Tax Department of the Company (or other designated recipient).

19. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

20. **2021 Equity Incentive Plan.** The Award and shares of Restricted Stock shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee electronically.

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

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

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

24. **Acceptance.** This Agreement and the Restricted Stock granted hereunder are voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically, or otherwise, to the Employee by the Company.

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

By: _____
Its _____

EMPLOYEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Employee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] I accept this restricted stock agreement.

[REJECT] I reject this restricted stock agreement.

M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

M.D.C. Holdings, Inc., a Delaware corporation (the “Company”), grants an option under the M.D.C. Holdings, Inc. 2021 Equity Incentive Plan (the “Plan”) to purchase shares of common stock, \$0.01 par value per share, of the Company (“Stock”) to the Optionee named below. This Stock Option Agreement (the “Agreement”) evidences the terms of the Company’s grant of an Option to Optionee.

A. NOTICE OF GRANT

Name of Optionee:

Number of Shares of Stock Covered by the Option:

Exercise Price per Share: \$

Grant Date:

Expiration Date:

Type of Option: Non-Qualified Stock Option

Vesting Schedule: Except as provided otherwise in this Agreement and the Plan, Optionee’s right to purchase shares of Stock under this Option vests, as set forth below:

Service Vesting Date	Percentage of Shares that Vest	Cumulative Percentage of Vested Shares
	__%	__%
	__%	__%
	__%	__%
	__%	__%

B. STOCK OPTION AGREEMENT

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

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

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

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

Except as may be otherwise provided in this Agreement and the Plan, Optionee's right to purchase shares of Stock under this Option vests as set forth on the vesting schedule in the Notice of Grant. No additional shares will vest after Optionee's termination of Service for any reason. Upon a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to this Option, including, without limitation, providing that such Option be fully or partially vested and/or exercisable.

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

6. **Termination of Service; Expiration of Option.** If Optionee terminates Service with the Company and its Affiliates prior to the tenth anniversary of the Grant Date, the following shall apply:

(a) **By the Company Without Cause or By Optionee.** If Optionee's Service is terminated by the Company or its Affiliate without Cause or Optionee terminates Service, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after Optionee terminates Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service.

(b) **Termination for Cause.** If Optionee's Service is terminated by the Company or an Affiliate for Cause, then Optionee shall immediately forfeit all then existing rights to the Option (whether or not vested) and the Option shall immediately expire on the date of termination of Service.

(c) **Disability.** If Optionee terminates Service because of Optionee's Disability, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after Optionee's termination of Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service.

(d) **Death.** If Optionee's Service terminates because of Optionee's death, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death, but in no event after the Expiration Date. During that twelve (12) month period, Optionee's estate or heirs may exercise the vested portion of the Option. The unvested portion of the Option automatically expires on the date of termination of Service. In addition, if Optionee dies during the twelve (12) month period described in subsection 6(a) or subsection 6(c), and a vested portion of the Option has not yet been exercised, then the vested portion of the Option will instead expire on the date twelve (12) months after Optionee's death, but in no event after the Expiration Date. In such a case, during the period following Optionee's death up to the date twelve (12) months after death, Optionee's estate or heirs may exercise the vested portion of the Option.

7. **Leave of Absence.** For purposes of the Option, Service does not terminate when Optionee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Optionee went on the approved leave, unless Optionee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Optionee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

8. **Option Exercise.**

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

(b) **Notice of Exercise.** The Option shall be exercised by delivery of written or electronic notice to a representative of the Company designated by the Committee on any business day, on the form specified by the Company. The notice shall specify the number of shares of Stock to be purchased (which number may be identified at the end of the exercise day) and be accompanied by full payment of the Exercise Price for the shares being purchased. The notice must also specify how the shares should be registered (in the name of Optionee or in both the names of Optionee and Optionee's spouse as joint tenants with right of survivorship). The notice of exercise will be

effective when it is received by the Company. Anyone exercising the Option after the death of Optionee must provide appropriate documentation to the satisfaction of the Company that the individual is entitled to exercise the Option.

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

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

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

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

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

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

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

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

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

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

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

16. **Forfeiture.** Optionee acknowledges that the Option is subject to any clawback policy as may be adopted or amended by the Company, an Affiliate, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Optionee further acknowledges the Committee has the right, at its discretion, to require Optionee to return the Option to the Company as a condition to receiving a subsequent Award.

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

18. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

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

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

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

21. **2021 Equity Incentive Plan.** The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee electronically.

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

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

24. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee

shall be liable for any action or determination made in good faith. The determinations, interpretations, and other actions of the Committee with respect to this Agreement and the Option shall be binding and conclusive for all purposes and on all persons.

25. **Acceptance.** The Option and this Agreement are voidable by the Company if the Optionee does not accept this Agreement within 30 days after the Agreement is made available, electronically, or otherwise, to the Optionee by the Company.

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

Its _____ By: _____

OPTIONEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Optionee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] I accept this stock option agreement.

[REJECT] I reject this stock option agreement.

M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN

EXECUTIVE OFFICER
RESTRICTED STOCK AGREEMENT

M.D.C. Holdings, Inc., a Delaware corporation (the “**Company**”), awards to the Employee named below restricted shares of the Company’s common stock, \$0.01 par value per share (“**Restricted Stock**”) under the Company’s 2021 Equity Incentive Plan (the “**Plan**”). This Restricted Stock Agreement (the “**Agreement**”) evidences the terms of the Company’s award of the Restricted Stock to Employee.

A. NOTICE OF GRANT

Name of Employee:

Number of Shares of Restricted Stock:

Closing Price on Grant Date (NYSE): \$

Aggregate Fair Market Value:* \$

Grant Date:

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

	Percentage of Shares	
Lapse Date	Lapse of Forfeiture Restrictions	Cumulative Unrestricted Stock
	__%	__%
	__%	__%
	__%	__%
	__%	__%

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

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

B. RESTRICTED STOCK AGREEMENT

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

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

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

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

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

Restrictions, the Employee resigns, Employee's employment terminates on account of retirement, or the Company terminates Employee's employment for Cause, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. However, if the Employee's employment is terminated by the Company other than for Cause, and conditioned on the Employee signing an agreement in a form satisfactory to the Company releasing claims against the Company and its employees, agents and Affiliates, the Forfeiture Restrictions shall lapse as to all of the shares of Restricted Stock that, at that time (the end of employment), remain subject to Forfeiture Restrictions; if the employee does not sign the agreement within the period of time specified by the Company, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. Upon forfeiture of shares of Restricted Stock, Employee shall have no further rights with respect to such shares, including but not limited to voting, dividend and liquidation rights.

6. **Leave of Absence.** For purposes of the Award, Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

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

If the Employee is a non-section 16 reporting person, shares of Stock from the released shares will be sold to cover the entire amount of taxes due on the lapse date and any sales commissions owed in connection with such sale of shares of Stock.

8. **Transfer of Restricted Stock.** If any transfer of Restricted Stock is made or attempted to be made contrary to the terms of this Agreement or the Plan, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or the transferee, at any time before or after such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The Company may refuse for any purpose to recognize any transferee who receives such shares contrary to the provisions of this Agreement as a shareholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

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

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

11. **Shareholder Rights.** Unless and until shares of the Restricted Stock are forfeited as hereinafter provided, Employee shall have all of the rights of a shareholder (including voting, dividend and liquidation rights) with respect to the shares of Restricted Stock, subject, however, to the terms and conditions set forth in this Agreement.

12. **Adjustments.** The number of shares of Restricted Stock outstanding under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of the Company's Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's shareholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of shares of Restricted Stock subject to this Agreement.

13. **Change of Control.** Upon a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to the Restricted Stock granted hereunder, including, without limitation, providing that such Restricted Stock be fully or partially vested.

14. **Additional Requirements.** Employee acknowledges that shares of Restricted Stock may bear such legends as the Company deems appropriate to comply with applicable federal, state, or other securities laws. No shares shall be issued or delivered pursuant to this Agreement unless there shall have been compliance with all applicable requirements of federal, state and other securities laws, all applicable listing requirements of the New York Stock Exchange, if applicable, and all other

requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery. In connection therewith and prior to the issuance of the shares, Employee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

15. **Forfeiture.** Employee acknowledges that the Restricted Stock granted hereunder is subject to any clawback policy as may be adopted or amended by the Company, an Affiliate, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Employee further acknowledges the Committee has the right, at its discretion, to require Employee to return the Restricted Stock granted hereunder to the Company as a condition to receiving a subsequent Award.

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

17. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

18. **Tax Treatment; Section 83(b).** Employee may incur tax liability as a result of the vesting of Restricted Stock and the payment of dividends or the disposition of Shares. Employee agrees to consult Employee's own tax adviser for tax advice. Employee hereby acknowledges that Employee has been informed that Employee may file with the Internal Revenue Service, within 30 days of the Grant Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Grant Date on the Fair Market Value of the Restricted Shares. If Employee chooses to file an election under Section 83(b) of the Code, Employee hereby agrees to promptly deliver a copy of any such election to the head of the Tax Department of the Company (or other designated recipient).

19. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

20. **2021 Equity Incentive Plan.** The Award and shares of Restricted Stock shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee electronically.

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

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

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

24. **Acceptance.** This Agreement and the Restricted Stock granted hereunder are voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically, or otherwise, to the Employee by the Company.

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

By: _____
Its _____

EMPLOYEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Employee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] I accept this restricted stock agreement.

[REJECT] I reject this restricted stock agreement.

**M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN
EXECUTIVE OFFICER
STOCK OPTION AGREEMENT**

M.D.C. Holdings, Inc., a Delaware corporation (the “**Company**”), grants an option under the M.D.C. Holdings, Inc. 2021 Equity Incentive Plan (the “**Plan**”) to purchase shares of common stock, \$0.01 par value per share, of the Company (“**Stock**”) to the Optionee named below. This Stock Option Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of an Option to Optionee.

A. NOTICE OF GRANT

Name of Optionee:

Number of Shares of Stock Covered by the Option:

Exercise Price per Share: \$

Grant Date:

Expiration Date:

Type of Option: Non-Qualified Stock Option

Vesting Schedule: Except as provided otherwise in this Agreement, the Plan, and any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), which may provide for accelerated vesting upon certain terminations in connection with a Change of Control), Optionee’s right to purchase shares of Stock under this Option vests, as set forth below:

Service Vesting Date	Percentage of Shares that Vest	Cumulative Percentage of Vested Shares
	__%	__%
	__%	__%
	__%	__%
	__%	__%

This Option is also subject to the terms of any employment agreement or change in control agreement the Optionee may have with the Company (as such agreement(s) may be amended from time to time).

B. STOCK OPTION AGREEMENT

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

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

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

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

Except as may be otherwise provided in this Agreement and the Plan, Optionee's right to purchase shares of Stock under this Option vests as set forth on the vesting schedule in the Notice of Grant. No additional shares will vest after Optionee's termination of Service for any reason. Upon a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to this Option, including, without limitation, providing that such Option be fully or partially vested and/or exercisable.

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

6. **Termination of Service; Expiration of Option.** If Optionee terminates Service with the Company and its Affiliates prior to the tenth anniversary of the Grant Date, the following shall apply:

(a) **By the Company Without Cause.** If Optionee's Service is terminated by the Company or its Affiliate without Cause, then the unvested portion of this Option shall become fully vested and exercisable on the date of termination of Service and the Option will expire at the close of business at Company headquarters on the Expiration Date.

(b) **By Optionee.** If Optionee resigns or Optionee's employment terminates on account of retirement, then the unvested portion of the Option shall automatically expire on the date of

termination of Service. The vested portion of the Option will expire at the close of business at Company headquarters on the Expiration Date.

(c) **Termination for Cause.** If Optionee's Service is terminated by the Company or an Affiliate for Cause, then Optionee shall immediately forfeit all then existing rights to the Option (whether or not vested) and the Option shall immediately expire on the date of termination of Service.

(d) **Disability.** If Optionee terminates Service because of Optionee's Disability, then the unvested portion of the Option shall become fully vested and exercisable on the date of termination of Service and the Option will expire at the close of business at Company headquarters on the Expiration Date.

(e) **Death.** If Optionee's Service terminates because of Optionee's death, then the unvested portion of the Option shall become fully vested and exercisable on the date of death and the Option will expire at the close of business at Company headquarters on the Expiration Date. Following Optionee's death, Optionee's estate or heirs may exercise the Option.

7. **Leave of Absence.** For purposes of the Option, Service does not terminate when Optionee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Optionee went on the approved leave, unless Optionee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Optionee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

8. **Option Exercise.**

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

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

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

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

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

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

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

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

Optionee may transfer, not for value, all or part of the Option to any Family Member; provided, however, such a transfer must be accompanied by an executed tax agreement prepared by the Company. For the purposes of this paragraph, and subject to Section 6.7 of the Plan, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless applicable law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Optionee) in exchange for an interest in that entity. Following a transfer to a

Family Member, the Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Optionee in accordance with this Section, or by will or the laws of descent and distribution. The events of termination of Service under an Option shall continue to be applied with respect to the original Optionee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in the applicable Award Agreement. Also, subject to an amendment to the Plan authorizing such transfers, Optionee may transfer all or part of the Option to (1) a tax exempt, non-profit organization qualified under I.R.C. Section 501(c), or (2) a trust in which any one or more Family Members (or the Optionee) hold a beneficial interest.

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

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

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

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

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

deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws and regulations.

16. **Forfeiture.** Optionee acknowledges that the Option is subject to any clawback policy as may be adopted or amended by the Company, an Affiliate, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Optionee further acknowledges the Committee has the right, at its discretion, to require Optionee to return the Option to the Company as a condition to receiving a subsequent Award.

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

18. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

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

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

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

21. **2021 Equity Incentive Plan.** The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee electronically.

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

23. **Other Employee Benefits.** The amount of any compensation deemed to be received by Optionee under this Agreement as a result of the exercise of the Option or the sale of shares of

Stock received upon such exercise, shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of Optionee are determined, including without limitation benefits under any pension, profit sharing, 401(k), bonus, life insurance or salary continuation plan, except to the extent specifically provided in such separate plan or agreement.

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

25. **Acceptance.** The Option and this Agreement are voidable by the Company if the Optionee does not accept this Agreement within 30 days after the Agreement is made available, electronically, or otherwise, to the Optionee by the Company.

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

By: _____
Its _____

OPTIONEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Optionee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] I accept this stock option agreement.

[REJECT] I reject this stock option agreement.

**M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN
SENIOR EXECUTIVE OFFICER
RESTRICTED STOCK AGREEMENT**

M.D.C. Holdings, Inc., a Delaware corporation (the “**Company**”), awards to the Employee named below restricted shares of the Company’s common stock, \$0.01 par value per share (“**Restricted Stock**”) under the Company’s 2021 Equity Incentive Plan (the “**Plan**”). This Restricted Stock Agreement (the “**Agreement**”) evidences the terms of the Company’s award of the Restricted Stock to Employee.

A. NOTICE OF GRANT

Name of Employee:

Number of Shares of Restricted Stock:

Closing Price on Grant Date (NYSE): \$

Aggregate Fair Market Value:¹ \$

Grant Date:

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

Lapse Date	Percentage of Shares	
	Lapse of Forfeiture Restrictions	Cumulative Unrestricted Stock
	%	%
	%	%
	%	%
	%	%

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

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

B. RESTRICTED STOCK AGREEMENT

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

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

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

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

5. **Lapse of Forfeiture Restrictions.** Except as may be otherwise provided in this Agreement, the Plan, or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), subject to Employee's continuous employment with the Company from the Grant Date through each lapse date, the Forfeiture Restrictions shall lapse as to the Restricted Stock in accordance with the schedule set forth in the Notice of Award on the cover page of this Agreement. If at any time the number of shares as to which the Forfeiture Restrictions are scheduled to lapse includes a fractional share, the number of shares of Restricted Stock as to which the Forfeiture Restrictions shall actually lapse shall be rounded down to the next whole share of Restricted Stock. In the event of the Employee's Retirement (as defined in Section 4(a)(v) of the Employment Agreement dated October 26, 2020, between Employee and the Company (as amended from time to time, the "**Employment Agreement**")), death, presumed death, the Employee becoming Totally Disabled (as defined in Section 3(f)(i) of the Employment

Agreement), termination of the Employee's employment by the Company without Cause (as defined in Section 4(a)(ii) of the Employment Agreement) (which includes a non-renewal by the Company of the Employment Agreement for each Additional Term, as defined in Section 2 of the Employment Agreement) or termination by the Employee for Good Reason (as defined in Section 4(a)(iv) of the Employment Agreement), or in the event of a Change of Control following which the employment of the Employee is terminated by the Company, the Forfeiture Restrictions shall lapse as to all of the shares of Restricted Stock that, as of the date of termination, death, presumed death, or becoming Totally Disabled, as applicable, remain subject to Forfeiture Restrictions. If, prior to the lapse of the Forfeiture Restrictions, the Company terminates Employee's employment for Cause, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. However, if the Employee's employment is terminated by the Company other than for Cause, and conditioned on the Employee signing an agreement in a form satisfactory to the Company releasing claims against the Company and its employees, agents and Affiliates, the Forfeiture Restrictions shall lapse as to all of the shares of Restricted Stock that, at that time (the end of employment), remain subject to Forfeiture Restrictions; if the employee does not sign the agreement within the period of time specified by the Company, the Employee shall, for no consideration, forfeit to the Company the shares of Restricted Stock that, at that time, remain subject to Forfeiture Restrictions. Upon forfeiture of shares of Restricted Stock, Employee shall have no further rights with respect to such shares, including but not limited to voting, dividend, and liquidation rights.

6. **Leave of Absence.** For purposes of the Award, Service does not terminate when Employee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Employee went on the approved leave, unless Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Employee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

7. **Tax Withholding.** The Company or any Affiliate shall have the right to deduct from payments of any kind otherwise due to Employee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of any shares of Restricted Stock, dividends or payments of any kind. The Company may withhold taxes from any payments or Shares due to Employee or Employee may deliver a check to the Company. Subject to the prior approval of the Company, which may be withheld by the Company, in its sole discretion, Employee may elect to satisfy the minimum statutory withholding obligations, in whole or in part, (i) by having the Company withhold shares of Restricted Stock otherwise issuable to Employee, or (ii) by delivering to the Company shares of Stock already owned by Employee (for at least six months or any other minimum period required by the Company). The shares withheld or delivered shall have an aggregate Fair Market Value sufficient to satisfy the minimum statutory total tax withholding obligations. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined ("**Tax Date**"). Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase,

forfeiture, or other similar requirements. Any election must be made prior to the Tax Date, shall be irrevocable, made in writing, signed by Employee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

8. **Transfer of Restricted Stock.** If any transfer of Restricted Stock is made or attempted to be made contrary to the terms of this Agreement or the Plan, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or the transferee, at any time before or after such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The Company may refuse for any purpose to recognize any transferee who receives such shares contrary to the provisions of this Agreement as a shareholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

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

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

11. **Shareholder Rights.** Unless and until shares of the Restricted Stock are forfeited as hereinafter provided, Employee shall have all of the rights of a shareholder (including voting, dividend and liquidation rights) with respect to the shares of Restricted Stock, subject, however, to the terms and conditions set forth in this Agreement.

12. **Adjustments.** The number of shares of Restricted Stock outstanding under this Agreement shall be proportionately increased or decreased for any increase or decrease in the number of shares of the Company's Stock on account of any Corporate Event. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. In the event of any distribution to the Company's shareholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust the number of shares of Restricted Stock subject to this Agreement.

13. **Change of Control.** Upon the occurrence of a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to the Restricted Stock granted hereunder, including, without limitation, providing that such Restricted Stock be fully or partially vested. Notwithstanding the foregoing, this Agreement and the employment agreement or change in control agreement Employee may have with the Company (as such

agreement(s) may be amended from time to time) may provide for accelerated vesting upon certain conditions in connection with a Change of Control.

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

15. **Forfeiture.** Employee acknowledges that the Restricted Stock granted hereunder is subject to any clawback as may adopted or amended by the Company, an Affiliate, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Employee further acknowledges the Committee has the right, at its discretion, to require Employee to return the Restricted Stock granted hereunder to the Company as a condition to receiving a subsequent Award.

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

17. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof.

18. **Tax Treatment; Section 83(b).** Employee may incur tax liability as a result of the vesting of Restricted Stock and the payment of dividends or the disposition of Shares. Employee agrees to consult Employee's own tax adviser for tax advice. Employee hereby acknowledges that Employee has been informed that Employee may file with the Internal Revenue Service, within 30 days of the Grant Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Grant Date on the Fair Market Value of the Restricted Shares. If Employee chooses to file an election under Section 83(b) of the Code, Employee hereby agrees to promptly deliver a copy of any such election to the head of the Tax Department of the Company (or other designated recipient).

19. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Employee, except to the extent set forth herein or in any other provision set forth in the Plan.

20. **2021 Equity Incentive Plan.** The Award and shares of Restricted Stock shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Employee electronically.

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

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

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

24. **Acceptance.** This Agreement and the Restricted Stock granted hereunder are voidable by the Company if the Employee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Employee by the Company.

[Signature page follows]

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

By: _____

Its _____

EMPLOYEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Employee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] _____ I accept this restricted stock agreement.

[REJECT] _____ I reject this restricted stock agreement.

M.D.C. HOLDINGS, INC.
2021 EQUITY INCENTIVE PLAN
SENIOR EXECUTIVE OFFICER
STOCK OPTION AGREEMENT

M.D.C. Holdings, Inc., a Delaware corporation (the “Company”), grants an option under the M.D.C. Holdings, Inc. 2021 Equity Incentive Plan (the “Plan”) to purchase shares of common stock, \$0.01 par value per share, of the Company (“Stock”) to the Optionee named below. This Stock Option Agreement (the “Agreement”) evidences the terms of the Company’s grant of an Option to Optionee.

A. NOTICE OF GRANT

Name of Optionee:

Number of Shares of Stock Covered by the Option:

Exercise Price per Share:

Grant Date:

Expiration Date:

Type of Option: Non-Qualified Stock Option

Vesting Schedule: Except as provided otherwise in this Agreement, the Plan, or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), which may provide for accelerated vesting upon certain terminations in connection with a Change of Control, Optionee’s right to purchase shares of Stock under this Option vests, as set forth below:

Service Vesting Date	Percentage of Shares that Vest	Cumulative Percentage of Vested Shares
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This Option is also subject to the terms of any employment agreement or change in control agreement the Optionee may have with the Company (as such agreement(s) may be amended from time to time). Notwithstanding anything in this Agreement to the contrary, to the extent the provisions of this Agreement may conflict with provisions in the Optionee’s employment agreement with the Company (if any), the terms of the employment agreement shall control.

B. STOCK OPTION AGREEMENT

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

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

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

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

Except as provided otherwise in this Agreement, the Plan, or any employment agreement or change in control agreement Employee may have with the Company (as such agreement(s) may be amended from time to time), which may provide for accelerated vesting upon certain terminations in connection with a Change of Control, Optionee's right to purchase shares of Stock under this Option vests as set forth on the vesting schedule in the Notice of Grant above. Upon a Change of Control, the Committee in its discretion may take such actions, if any, as it deems necessary or desirable with respect to this Option, including, without limitation, providing that such Option be fully or partially vested and/or exercisable.

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

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

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

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

8. **Option Exercise.**

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

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

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

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

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

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

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

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

Optionee may transfer, not for value, all or part of the Option to any Family Member; provided, however, such a transfer must be accompanied by an executed tax agreement prepared by the Company. For the purposes of this paragraph, and subject to Section 6.7 of the Plan, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless applicable law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Optionee) in exchange for an interest in that entity. Following a transfer to a Family Member, the Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Optionee in accordance with this Section, or by will or the laws of descent and distribution. The events of termination of Service under an Option shall continue to be applied with respect to the original Optionee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in the applicable Award Agreement. Also, subject to an amendment to the Plan authorizing such transfers, Optionee may transfer all or part of the Option to (1) a tax-exempt, non-profit organization qualified under I.R.C. Section 501(c), or (2) a trust in which any one or more Family Members (or the Optionee) hold a beneficial interest.

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

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

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

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

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

16. **Forfeiture.** Optionee acknowledges that the Option is subject to any clawback policy as may be adopted or amended by the Company, an Affiliated, and/or Subsidiary, from time to time, such as the Clawback Policy adopted by the Company's Corporate Governance/Nominating Committee on January 14, 2015. Without limiting the generality of the foregoing sentence, and subject to Section 3.1 of the Plan, Optionee further acknowledges the Committee has the right, at its discretion, to require Optionee to return the Option to the Company as a condition to receiving a subsequent Award.

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

18. **Binding Effect; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns. This Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof.

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

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

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

21. **2021 Equity Incentive Plan.** The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee electronically.

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

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

24. **Interpretation; Administration.** The Committee shall have the full power and authority to administer the terms and conditions of this Agreement, to adopt any procedures, make any determinations, correct any defect, supply any omission or reconcile any inconsistency with respect to the terms and conditions of this Agreement in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee

shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee with respect to this Agreement and the Option shall be binding and conclusive for all purposes and on all persons.

25. **Acceptance.** This Agreement is voidable by the Company if the Optionee does not accept this Agreement within 30 days after the Agreement is made available, electronically or otherwise, to the Optionee by the Company.

Dated: as of the Grant Date set forth above.

M.D.C. HOLDINGS, INC.

By: _____

Its _____

OPTIONEE

[If handwritten signature:]

Signed: _____

[If electronic signature:]

I, the Optionee, understand that clicking "ACCEPT" below constitutes my electronic signature and intend that it shall have the same legally binding effect as my handwritten signature.

[ACCEPT] _____ I accept this stock option agreement.

[REJECT] _____ I reject this stock option agreement.

EXHIBIT 22

SUBSIDIARY GUARANTORS

The following wholly-owned subsidiaries of M.D.C. Holdings, Inc. (the "Company") have fully and unconditionally guaranteed the senior notes issued by the Company on a joint and several basis.

<i>Name</i>	<i>State of Organization</i>	<i>Doing Business As</i>
M.D.C. Land Corporation	Colorado	MDC Land Flight Operations Co. Richmond Developments Limited
RAH of Florida, Inc.	Colorado	
Richmond American Construction, Inc.	Delaware	
Richmond American Construction NM, Inc. (formerly known as Richmond American Homes Five, Inc.)	Colorado	
Richmond American Homes of Arizona, Inc.	Delaware	
Richmond American Homes of Colorado, Inc.	Delaware	
Richmond American Homes of Florida, LP	Colorado	
Richmond American Homes of Idaho, Inc. (formerly known as Richmond American Homes of Illinois, Inc.)	Colorado	
Richmond American Homes of Maryland, Inc.	Maryland	Richmond American Homes of California, Inc.
Richmond American Homes of Nevada, Inc.	Colorado	
Richmond American Homes of New Mexico, Inc. (f/k/a Richmond American Homes Three, Inc.)	Colorado	
Richmond American Homes of Oregon, Inc.	Colorado	
Richmond American Homes of Pennsylvania, Inc.	Colorado	
Richmond American Homes of Tennessee, Inc. (f/k/a Richmond American Homes of New Jersey, Inc.)	Colorado	
Richmond American Homes of Texas, Inc. (f/k/a Richmond American Homes Four, Inc.)	Colorado	
Richmond American Homes of Utah, Inc.	Colorado	
Richmond American Homes of Virginia, Inc.	Virginia	
Richmond American Homes of Washington, Inc.	Colorado	

CERTIFICATIONS

I, Larry A. Mizel, certify that:

1. I have reviewed this report on Form 10-Q of M.D.C. Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Larry A. Mizel
Larry A. Mizel
Executive Chairman
(principal executive officer)

CERTIFICATIONS

I, Robert N. Martin, certify that:

1. I have reviewed this report on Form 10-Q of M.D.C. Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Robert N. Martin
Robert N. Martin
Senior Vice President, Chief Financial Officer
(principal financial officer)

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of M.D.C. Holdings, Inc. (the "Company") hereby certifies that the Report on Form 10-Q of the Company for the period ended June 30, 2021 accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ Larry A. Mizel

Larry A. Mizel
Executive Chairman
(principal executive officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of M.D.C. Holdings, Inc. (the "Company") hereby certifies that the Report on Form 10-Q of the Company for the period ended June 30, 2021 accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ Robert N. Martin

Robert N. Martin
Senior Vice President, Chief Financial Officer
(principal financial officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.