

MDC HOLDINGS INC  
Form DEFA14A  
March 01, 2010

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant       Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

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

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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

**4350 South Monaco Street, Suite 500**

**Denver, Colorado 80237**

March 1, 2010

Dear Shareholders,

While overall economic conditions in 2009 remained extremely difficult, we were encouraged by building and sales activity for our industry that improved from historic lows recorded early in the year. In addition, we increased our full year home orders for the first time in four years, even as our active subdivision count decreased by 30%. As a result, we ended 2009 with 826 homes in backlog, a 55% increase from a year ago, giving us a solid foundation to start 2010.

**MEETING HOMEBUYER DEMAND: AFFORDABLE AND EFFICIENT HOMES**

We do not believe that the increase in orders was an accident. Rather, it was largely the result of our Company-wide initiative to re-evaluate, transform and streamline our core business practices in preparation for future growth and profitability. In an effort to accelerate our sales pace, we introduced smaller, more affordable homes in many of our markets early in the year. These homes are designed both to meet the current needs of our customers and to allow for a more efficient construction process, and they have been well-received by our buyers, with a sales pace exceeding the Company's average. We intend to continue to expand their availability to a larger percentage of our active communities. In addition, in an effort to improve affordability for our homebuyers, we initiated new sales programs during the year, which focused on providing low mortgage interest rates.

**WITH US, IT'S PERSONAL**

Furthermore, we positioned inventory to give our buyers the opportunity to close on a home quickly while still enjoying the unique benefits of personalization that we offer. We believe that the strategic production of unsold homes can be very effective if managed properly, and therefore we adjusted our operating policies to allow our homebuilding subsidiaries to build a limited supply of unsold inventory. We generally require construction on the unsold homes to stop at the drywall stage so that the buyers have the opportunity to personalize the homes with upgrades from one of our Home Galleries or design centers. We believe that this strategy will help us to turn our inventories more quickly while allowing us to achieve margins similar to those received for a build-to-order home. Because of this strategy, the number of unsold homes available for personalization increased slightly by 35% during the year, while we reduced our inventory of finished, unsold homes by 90%.

*(continued...)*

## **INVESTING IN THE FUTURE**

During 2009, we continued to make progress on other Company initiatives. We made significant progress in designing our Enterprise Resource Planning solution, which will serve as the backbone of our future operations. Furthermore, we continued to make strides in improving the satisfaction of our homebuyers through our Customer Experience process, which resulted in an improvement in customer satisfaction scores of more than 10% during 2009 alone. Our intention is to add to the long-term value of our Company as we work toward a return to growth and profitability.

After several years of relatively limited land acquisition activity, during 2009 we secured control of more than 4,500 lots through direct acquisitions or option contracts. In total, we invested \$150 million in land acquisitions during the year, an increase of 430% over our total for 2008. In January 2010, we issued \$250 million of 10-year senior notes at a low interest rate and, in February 2010, we received a \$142 million tax refund. Given these enhancements to our liquidity, we are well-positioned to continue making land investments in 2010 as we build our pipeline to support future home closings. As we actively pursue and evaluate potential transactions, we will continue to subject each to our rigorous and disciplined review process, approving only those that we believe will maximize long-term value for our shareholders.

We want to extend our appreciation to our employees, subcontractors, customers, financial associates and shareholders for their continued support during 2009. Also, special recognition goes to our Board of Directors for their hard work and commitment to our company as we strive to achieve our long-term goals.

Sincerely,

Larry A. Mizel

Chairman and CEO