MDC HOLDINGS INC
Form 10-Q
May 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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	**84-0622967**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

4350 South Monaco Street, Suite 500 **80237**

Denver, Colorado **(Zip code)**
(Address of principal executive offices)

(303) 773-1100

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

Large Accelerated Filer x **Accelerated Filer ¨**
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company) **Smaller Reporting Company ¨**
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of March 31, 2009, 46,789,000 shares of M.D.C. Holdings, Inc. common stock were outstanding.

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

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2009

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ITEM 1. Unaudited Consolidated Financial Statements

M.D.C. HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 1,584,631	$ 1,304,728
Short-term investments	22,909	54,864
Unsettled trades, net	3,254	57,687
Restricted cash	471	670
Receivables		
Home sales receivables	12,306	17,104
Income taxes receivable	6,931	170,753
Other receivables	13,596	16,697
Mortgage loans held-for-sale, net	29,900	68,604
Inventories, net		
Housing completed or under construction	349,405	415,500
Land and land under development	206,581	221,822
Property and equipment, net	37,119	38,343
Deferred tax asset, net of valuation allowance	-	-
Related party assets	28,627	28,627
Prepaid expenses and other assets, net	77,421	79,539
Total Assets	$ 2,373,151	$ 2,474,938
LIABILITIES		
Accounts payable	$ 21,100	$ 28,793
Accrued liabilities	319,667	332,825
Mortgage repurchase facility	4,117	34,873
Senior notes, net	997,640	997,527
Total Liabilities	1,342,524	1,394,018
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued or outstanding	-	-
Common stock, $0.01 par value; 250,000,000 shares authorized; 46,838,000 and 46,789,000 issued and outstanding, respectively, at March 31, 2009 and 46,715,000 and 46,666,000 issued and outstanding, respectively, at December 31, 2008	468	467
Additional paid-in-capital	790,361	788,207
Retained earnings	240,457	292,905
Treasury stock, at cost; 49,000 shares at March 31, 2008 and December 31, 2008	(659)	(659)
Total Stockholders Equity	1,030,627	1,080,920
Total Liabilities and Stockholders Equity	$ 2,373,151	$ 2,474,938

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

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M.D.C. HOLDINGS, INC.

Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
REVENUE		
Home sales revenue	$ 166,982	$ 355,792
Land sales revenue	2,618	28,568
Other revenue	6,332	11,418
Total Revenue	175,932	395,778
COSTS AND EXPENSES		
Home cost of sales	141,325	315,037
Land cost of sales	1,341	27,949
Asset impairments	14,569	54,832
Marketing expenses	8,832	19,203
Commission expenses	6,358	13,433
General and administrative expenses	38,381	51,188
Other operating expenses	265	1,724
Related party expenses	5	5
Total Operating Costs and Expenses	211,076	483,371
Loss from Operations	(35,144)	(87,593)
Other income (expense)		
Interest income	4,071	10,476
Interest expense	(9,740)	(130)
Gain (loss) on sale of other assets	(260)	21
Loss before income taxes	(41,073)	(77,226)
Benefit from income taxes, net	220	4,406
NET LOSS	$ (40,853)	$ (72,820)
LOSS PER SHARE		
Basic	$ (0.88)	$ (1.58)
Diluted	$ (0.88)	$ (1.58)
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	46,397	45,953
Diluted	46,397	45,953

DIVIDENDS DECLARED PER SHARE	$	0.25	$	0.25

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

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M.D.C. HOLDINGS, INC.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2009	2008
OPERATING ACTIVITIES		
Net loss	$ (40,853)	$ (72,820)
Adjustments to reconcile net loss to net cash provided by operating activities		
Asset impairments	14,569	54,832
Deferred tax asset, net of valuation allowance	-	35,750
Amortization of deferred marketing costs	2,270	6,184
Write-offs of land option deposits and pre-acquisition costs	265	1,821
Depreciation and amortization of long-lived assets	1,623	2,428
Stock-based compensation expense	3,745	1,607
Excess tax benefits from stock-based compensation	(15)	(356)
Gain on sale of assets, net	(1,017)	(619)
Other non-cash expenses	604	152
Net changes in assets and liabilities:		
Restricted cash	199	(38)
Home sales and other receivables	7,899	5,673
Income taxes receivable	162,176	49,993
Mortgage loans held-for-sale, net	38,704	43,514
Housing completed or under construction	62,020	100,148
Land and land under development	6,238	54,559
Prepaid expenses and other assets, net	(1,161)	(2,725)
Accounts payable	(7,693)	(22,544)
Accrued liabilities	(10,080)	(26,826)
Net cash provided by operating activities	239,493	230,733
INVESTING ACTIVITIES		
Purchase of short-term investments	(22,909)	-
Maturity of short-term investments	54,864	-
Settlement of unsettled trades	54,433	-
Purchase of property and equipment	(3,698)	(43)
Net cash provided by (used in) investing activities	82,690	(43)
FINANCING ACTIVITIES		
Lines of credit advances	-	38,004
Lines of credit payments	-	(75,735)
Payment on mortgage repurchase facility	(34,873)	
Advances on mortgage repurchase facility	4,117	-
Dividend payments	(11,595)	(11,517)
Proceeds from exercise of stock options	56	7,288
Excess tax benefits from stock-based compensation	15	356
Net cash used in financing activities	(42,280)	(41,604)

Net increase in cash and cash equivalents	279,903	189,086
Cash and cash equivalents		
Beginning of year	1,304,728	1,004,763
End of year	$ 1,584,631	$ 1,193,849

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

M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

The Unaudited Consolidated Financial Statements of M.D.C. Holdings, Inc. (MDC or the Company, 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 accounting principles generally accepted in the United States of America 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 March 31, 2009 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, 2008, filed with the SEC on February 10, 2009.

The Consolidated Statements of Operations and Consolidated Statement of Cash Flows for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year. Refer to the economic conditions described under the caption Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q and Risk Factors Relating to our Business in Item 1A of the Company s December 31, 2008 Annual Report on Form 10-K.

During the 2009 first quarter, the Company reclassified certain costs, primarily write-offs of pre-acquisition costs and deposits on lot option contracts that we elected not to exercise, from general and administrative expenses to other operating expenses on the Consolidated Statements of Operations. Accordingly, the Company has reclassified $1.7 million of write-offs of pre-acquisition costs and deposits during the three months ended March 31, 2008 in order to conform to the current year s presentation.

During the 2009 first quarter, the Company changed the composition of its reportable segments by reclassifying the Delaware Valley market from the Other Homebuilding segment to the East segment. This reclassification resulted primarily from a change in the structure of the Company s internal organization. The Company has reclassified all prior period financial and operating measures of the Delaware Valley market to the East segment as a result of this reclassification in order to conform to the current year s presentation. Certain other prior period balances have been reclassified to conform to the current year s presentation.

2. Unsettled Trades

On September 16, 2008, the Company delivered a timely redemption request to The Reserve Funds to redeem its investment in The Reserve s Primary money market fund. The Reserve announced on September 16, 2008 that all Primary Fund redemption requests received before 3:00 p.m. that day would be redeemed at $1.00 per share. Despite representations by The Reserve that the redemptions would be paid the same day as the redemption request, the amounts due to the Company were not distributed to the Company upon request of redemption. Accordingly, at March 31, 2009 and December 31, 2008, the Company has presented the amounts due from The Reserve as unsettled trades on the Consolidated Balance Sheets and has presented the settlement of its redemption request as a source of cash from investing activities in the Company s Consolidated Statements of Cash Flows. At March 31, 2009, the Company had $3.3 million of unsettled trades, net with The Reserve Primary Fund. While the Company believes that it made a timely redemption request to settle its investment in The Reserve Primary Fund on September 16, 2008, there are no assurances that the Company will

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Notes to Unaudited Consolidated Financial Statements (Continued)

ultimately receive this amount and, as such, the Company had a valuation allowance of $374,000 against the unsettled trade associated with the redemption request of The Reserve Primary Fund as of March 31, 2009 and December 31, 2008.

3. Asset Impairment

The Company s held-for-development and held-for-sale inventories are included as a component of housing completed or under construction and land and land under development in the Consolidated Balance Sheets. The Company s held-for-sale inventories include inventory associated with subdivisions for which the Company intends to sell the assets in their current condition. At March 31, 2009 and December 31, 2008, the Company s inventories on the Consolidated Balance Sheets included $10.9 million and $12.1 million, respectively, of held-for-sale inventory.

On a quarterly basis, the Company evaluates its held-for-development and held-for-sale inventory for impairment in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144).

The following table sets forth, by reportable segment, the asset impairments recorded during the three months ended March 31, 2009 and 2008 (in thousands).

	Three Months Ended March 31, 2009	2008
Land and Land Under Development (Held-for-Development)		
West	$ 9,791	$ 20,443
Mountain	254	2,714
East	150	607
Other Homebuilding	17	14
Subtotal	10,212	23,778
Housing Completed or Under Construction (Held-for-Development)		
West	3,276	21,335
Mountain	-	1,240
East	600	926
Other Homebuilding	267	291
Subtotal	4,143	23,792
Land and Land Under Development (Held-for-Sale)		
West	-	5,366
Mountain	-	-
East	-	-
Other Homebuilding	-	730
Subtotal	-	6,096
Other Assets	214	1,166
Consolidated Asset Impairments	$ 14,569	$ 54,832

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Notes to Unaudited Consolidated Financial Statements (Continued)

The 2009 first quarter impairments of the Company s held-for-development inventories were concentrated in the Nevada market of the West segment. These impairments resulted from a significant decrease in the average selling prices of closed homes during the 2009 first quarter, compared with the 2008 fourth quarter, in response to increased levels of competition in this market and continued high levels of home foreclosures. The impairments in the Mountain, East and Other Homebuilding segments primarily resulted from lower forecasted average selling prices for communities that are in the close out phase.

4. Recent Accounting Pronouncements

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (FSP 140-3). The objective of FSP 140-3 is to provide implementation guidance on whether the security transfer and contemporaneous repurchase financing involving the transferred financial asset must be evaluated as one linked transaction or two separate de-linked transactions.

FSP 140-3 requires the recognition of the transfer and the repurchase agreement as one linked transaction, unless all of the following criteria are met: (1) the initial transfer and the repurchase financing are not contractually contingent on one another; (2) the initial transferor has full recourse upon default, and the repurchase agreement s price is fixed and not at fair value; (3) the financial asset is readily obtainable in the marketplace and the transfer and repurchase financing are executed at market rates; and (4) the maturity of the repurchase financing precedes the maturity of the financial asset. The scope of FSP 140-3 is limited to transfers and subsequent repurchase financings that are entered into contemporaneously or in contemplation of one another. FSP 140-3 became effective for the Company on January 1, 2009. The adoption of FSP 140-3 did not have a material impact on the Company s financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 expands the disclosure requirements in SFAS 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133) regarding an entity s derivative instruments and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. In accordance with SFAS 161, the Company has provided expanded disclosures as set forth in Note 6 to the Unaudited Consolidated Financial Statements.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1). FSP 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years, and requires retrospective application. Under FSP 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities under SFAS No. 128, Earnings per Share (SFAS 128) and, as such, should be included in the computation of basic earnings per share using the two-class method under SFAS 128. However, since the Company incurred a net loss for the three months ended March 31, 2009 and 2008, the Company has excluded

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Notes to Unaudited Consolidated Financial Statements (Continued)

unvested restricted stock from basic earnings per share in accordance with EITF 03-6 Participating Securities and the Two-Class Method under FASB Statement No. 128 (EITF 03-6) because inclusion of this class of stock would be anti-dilutive and would decrease basic loss per share. See Note 8 to the Unaudited Consolidated Financial Statements.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP 140-4). FSP 140-4 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140), to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46(R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. FSP 140-4 is related to disclosure only and will not have an impact on the Company s consolidated financial position or results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1 Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). FSP 107-1 relates to fair value disclosures for financial instruments that are within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107). The guidance in FSP 107-1 increases the frequency of disclosures under SFAS 107 to a quarterly rather than an annual basis. Additionally, FSP 107-1 requires the following disclosures in interim financial statements: (1) the fair value of all financial instruments for which it is practicable to estimate that value; (2) the method(s) and significant assumptions used to estimate the fair value of those financial instruments; and (3) a discussion of changes in method(s) and significant assumptions, if any, during the reporting period. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 107-1 will require additional disclosures in the Company s 2009 second quarter Form 10-Q and will not have an impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides additional guidance on determining fair value under SFAS 157 which is the price that would be received to sell an asset or transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. FSP 157-4 indicates that if an entity determines that either the volume and/or level of activity for the sale of an asset or transfer of a liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. Specifically, FSP 157-4 provides additional guidance to clarify the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for an asset or liability. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The Company is currently evaluating any impact FSP 157-4 may have on its consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2). FSP 115-2 establishes a new method of

M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

recognizing and reporting other-than-temporary impairments of debt securities. Prior to the issuance of FSP 115-2, impairments of investments in debt and equity securities classified as available-for-sale and held-to-maturity were evaluated on the basis of whether an entity could assert the ability and intent to hold the investment until a recovery of fair value. FSP 115-2 changes existing impairment guidance under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities to indicate that an impairment is other-than-temporary if any of the following conditions exists: (1) an entity intends to sell a security; (2) it is more likely than not that an entity will be required to sell the security before recovery of its amortized cost basis; or (3) an entity does not expect to recover the security s entire amortized cost basis (even if the entity does not intend to sell). FSP 115-2 also requires additional disclosures for debt and equity securities for both annual and interim reporting periods. FSP 115-2 is effective for interim and annual periods ending after June 15, 2009. The Company is currently evaluating the impact FSP 115-2 may have on its consolidated financial statements.

5. Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in certain preceding accounting pronouncements. The Company adopted SFAS 157 for financial and non-financial instruments during the 2008 and 2009 first quarters, respectively. Although the adoption of SFAS 157 did not materially impact its financial condition, results of operations, or cash flow, the Company now is required to provide additional disclosures as part of its financial statements.

SFAS 157 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 in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of March 31, 2009, the primary components of the Company s mortgage loans held-for-sale that are required to be measured at fair value on a recurring basis are mortgage loans held-for-sale under commitments to sell, and mortgage loans held-for-sale not under commitments to sell. At March 31, 2009 and December 31, 2008, the Company had $18.1 million and $47.0 million, respectively, in mortgage loans held-for-sale under commitments to sell for which fair value was based upon a Level 2 input being the quoted market prices for those mortgage loans. At March 31, 2009 and December 31, 2008, the Company had $11.8 million and $21.6 million, respectively, of mortgage loans held-for-sale that were not under commitments to sell and, as such, their fair value was based upon Level 2 inputs, primarily estimated market prices received from an outside party.

The Company s assets measured at fair value on a nonrecurring basis are those assets for which the Company has recorded impairments during the current period and primarily relate to the Company s housing completed or under construction and land and land under development. The following table sets

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Notes to Unaudited Consolidated Financial Statements (Continued)

forth the current carrying value (in thousands) of the Company s inventory that was impaired during the three months ended March 31, 2009. Accordingly, these carrying values represent the fair value of such inventory at March 31, 2009 and were based upon Level 3 fair value inputs.

	Land and Land Under Development (Held-for-Development)	Housing Completed or Under Construction (Held-for-Development)	Total Fair Value of Impaired Inventory
West	$ 3,437	$ 24,481	$ 27,918
Mountain	592	76	668
East	290	5,363	5,653
Other Homebuilding	-	4,363	4,363
Consolidated	$ 4,319	$ 34,283	$ 38,602

6. Derivative Financial Instruments

The Company utilizes certain derivative instruments in the normal course of business, which primarily include commitments to originate mortgage loans (interest rate lock commitments or locked pipeline) and forward sales of mortgage-backed securities commitments, both of which typically are short-term in nature. Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At March 31, 2009, the Company had $71.4 million in interest rate lock commitments and $58.0 million in forward sales of mortgage-backed securities.

SFAS 133 requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated by a company as a hedging relationship and is determined to qualify for hedge accounting. To qualify for hedge accounting under SFAS 133, at the inception of a hedge, a company must formally document the relationship between the derivative instrument and the hedged item, as well as the risk management objective, the strategy for undertaking the hedge transactions, and the method a company will use to assess the hedge s effectiveness in achieving offsetting changes in fair value. In addition, a company must document the results of the method used to assess hedge effectiveness on an on-going basis.

The Company has elected to apply the fair value option under SFAS 159 for its mortgage loans held-for-sale to achieve matching of the changes in the fair value of its derivative instruments with the changes in fair values of the loans it is hedging, without having to designate its derivatives as hedging instruments in accordance with SFAS 133. For forward sales commitments, as well as commitments to originate mortgage loans that are still outstanding at the end of a reporting period, the Company records the fair value of the derivatives in other revenue in the Consolidated Statements of Operations with an offset to either prepaid and other assets or accrued liabilities in the Consolidated Balance Sheets, depending on the nature of the change. The changes in fair value of the Company s derivatives were not material during the 2009 and 2008 first quarters.

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Notes to Unaudited Consolidated Financial Statements (Continued)

7. Balance Sheet Components

The following table sets forth information relating to accrued liabilities (in thousands).

	March 31, 2009	December 31, 2008
Accrued liabilities		
Warranty reserves	$ 84,911	$ 89,318
FIN 48 income tax liability	63,283	63,404
Insurance reserves	59,695	59,171
Land development and home construction accruals	20,996	22,941
Accrued compensation and related expenses	15,568	22,245
Accrued executive deferred compensation	15,866	15,254
Accrued interest payable	19,391	12,822
Customer and escrow deposits	4,473	4,820
Other accrued liabilities	35,484	42,850
Total accrued liabilities	$ 319,667	$ 332,825

8. Loss Per Share

The Company calculates loss per share (EPS) in accordance with SFAS 128, EITF No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128 and FSP-EITF 03-6-1. Pursuant to SFAS 128, a company that has multiple classes of securities (for example, unvested restricted stock that has nonforfeitable dividend rights and outstanding shares of common stock) is required to utilize the two-class method for calculating earnings per share. The two-class method is an allocation of earnings between the multiple classes of securities that effectively treats each class of security as having rights to earnings that would otherwise have been available to common shareholders. Under the two-class method, earnings for the reporting period are allocated between common shareholders and other security holders, based on their respective rights to receive dividends. Currently, the Company has two classes of securities, which consist of shareholders of common stock and shareholders of unvested restricted stock. However, since the Company incurred a net loss for the three months ended March 31, 2009 and 2008, in accordance with SFAS 128 and EITF 03-6, the Company has excluded unvested restricted stock from its calculation of basic earnings per share because inclusion of this class of stock would be anti-dilutive and would decrease basic loss per share. Similarly, since the Company incurred a net loss for the three months ended March 31, 2009 and 2008, the Company has not presented distributed and undistributed losses per share in accordance with the two-class method since that information would not be meaningful.

Diluted EPS includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Common stock equivalents include stock options. Diluted EPS for the three months ended March 31, 2009 and 2008 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share. Using the treasury stock method pursuant to SFAS 128, the weighted-average common stock equivalents excluded from

M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

diluted EPS were 0.4 million shares and 0.6 million shares during the three months ended March 31, 2009 and 2008, respectively.

The basic and diluted loss per share calculation is shown below (in thousands, except per share amounts).

	Three Months Ended March 31, 2009	2008
Basic and Diluted Loss Per Share		
Net loss	$ (40,853)	$ (72,820)
Weighted-average shares outstanding	46,397	45,953
Per share amounts	$ (0.88)	$ (1.58)

9. Interest Activity

The Company capitalizes interest on its senior notes and Homebuilding Line in accordance with SFAS 34 Capitalization of Interest Costs (SFAS 34). Accordingly, interest is capitalized on the Company s qualifying assets , as defined in SFAS 34, which consist primarily of inventory. The Company has determined that inventory is a qualifying asset during the period of active development and through the completion of construction of a home. When construction of a home is complete, such home is no longer considered to be a qualifying asset and interest is no longer capitalized on that home. The Company s qualifying assets have decreased significantly during 2008 and 2009 as a result of the significant decrease in inventory levels. As a result, the Company expensed $9.6 million of interest that was incurred during the three months ended March 31, 2009 that could not be capitalized in accordance with SFAS 34. Interest incurred on the senior notes or Homebuilding Line that is not capitalized and interest expense on the Mortgage Repurchase Facility are included in other income (expense) in the Consolidated Statements of Operations. Interest activity is shown below (in thousands).

	Three Months Ended March 31, 2009	2008
Total Interest Incurred		
Corporate and homebuilding segments	$ 14,493	$ 14,453
Financial Services and Other	91	130
Total interest incurred	$ 14,584	$ 14,583
Total Interest Capitalized		
Interest capitalized, beginning of period	$ 39,239	$ 53,487
Interest capitalized, net of interest expense	4,844	14,453
Previously capitalized interest included in home cost of sales	(8,033)	(15,773)
Interest capitalized, end of period	$ 36,050	$ 52,167

10. Warranty Reserves

Warranty reserves presented in the table below relate to general and structural reserves, as well as reserves for known, unusual warranty-related expenditures. Warranty payments for an individual house

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Notes to Unaudited Consolidated Financial Statements (Continued)

may exceed the related reserve. Payments in excess of the reserve are evaluated in the aggregate to determine if an adjustment to the warranty reserve should be recorded, which could result in a corresponding adjustment to home cost of sales. During the three months ended March 31, 2009 and 2008, the Company recorded adjustments totaling $3.6 million and $1.5 million, respectively, to reduce its warranty reserve, primarily resulting from the downward trend in warranty payments incurred during 2009 and 2008 and expected to be incurred in future reporting periods. Generally, warranty reserves are reviewed monthly, using historical data and other relevant information. Changes in circumstances and changes to the Company s assumptions underlying the Company s evaluation process could have a material impact on its warranty reserves balance.

The following table summarizes the warranty reserve activity for the three months ended March 31, 2009 and 2008 (in thousands).

	Three Months Ended March 31,	
	2009	**2008**
Warranty reserve balance at beginning of year	$ 89,318	$ 109,118
Warranty expense provisions	1,474	3,131
Warranty cash payments	(2,238)	(2,824)
Warranty reserve adjustments	(3,643)	(1,529)
Warranty reserve balance at end of period	$ 84,911	$ 107,896

11. Insurance Reserves

The Company records expenses and liabilities for losses and loss adjustment expenses for claims associated with: (1) insurance policies and re-insurance agreements issued by StarAmerican Insurance Ltd. (StarAmerican) and Allegiant Insurance Company, Inc., A Risk Retention Group (Allegiant); (2) self-insurance, including workers compensation; and (3) deductible amounts under the Company s insurance policies. The establishment of the provisions for outstanding losses and loss adjustment expenses is based on actuarial studies that include known facts and interpretations of circumstances, including the Company s experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, product mix or concentration, claim severity, frequency patterns such as those caused by natural disasters, fires, or accidents, depending on the business conducted, and changing regulatory and legal environments.

The following table summarizes the insurance reserve activity for the three months ended March 31, 2009 and 2008 (in thousands).

	Three Months Ended March 31,	
	2009	**2008**
Insurance reserve balance at beginning of year	$ 59,171	$ 57,475
Insurance expense provisions	898	1,471
Insurance cash payments	(374)	(915)
Insurance reserve adjustments	-	66
Insurance reserve balance at end of period	$ 59,695	$ 58,097

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Notes to Unaudited Consolidated Financial Statements (Continued)

12. Information on Business Segments

SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information (SFAS 131), defines operating segments as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the chief operating decision-maker, or decision-making group, to evaluate performance and make operating decisions. The Company has identified its chief operating decision-makers (CODMs) as three key executives the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

The Company has identified each homebuilding subdivision as an operating segment in accordance with SFAS 131. Each homebuilding subdivision engages in business activities from which it earns revenue primarily from the sale of single-family detached homes, generally to first-time and first-time move-up homebuyers. Subdivisions in the reportable segments noted below have been aggregated 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. The Company s homebuilding reportable segments are as follows:

(1) West (Arizona, California and Nevada)
(2) Mountain (Colorado and Utah)
(3) East (Delaware Valley, Maryland and Virginia)
(4) Other Homebuilding (Florida and Illinois)

During the 2009 first quarter, the Company changed the composition of its reportable segments by reclassifying the Delaware Valley market from the Other Homebuilding segment to the East segment. This reclassification resulted primarily from a change in the structure of the Company s internal organization. The Company has reclassified all prior period financial and operating measures of the Delaware Valley market to the East segment as a result of this reclassification in order to conform to the current year s presentation.

The Company s Financial Services and Other reportable segment consists of the operations of the following operating segments: (1) HomeAmerican; (2) Allegiant; (3) StarAmerican; (4) American Home Insurance Agency, Inc.; and (5) American Home Title and Escrow Company. These operating segments have been aggregated into one reportable segment 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. The Company s Corporate reportable segment incurs general and administrative expenses that are not identifiable specifically to another operating segment, earns interest income on its cash, cash equivalents and short-term investments, and incurs interest expense on its senior notes.

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Notes to Unaudited Consolidated Financial Statements (Continued)

The following table summarizes revenue for each of the Company s six reportable segments (in thousands). Inter-company adjustments noted in the revenue table below relate to Mortgage Loan Origination defined as fees paid by the Company s homebuilding subsidiaries to HomeAmerican on behalf of homebuyers.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue		
Homebuilding		
West	$ 74,682	$ 223,379
Mountain	44,117	70,482
East	40,492	67,345
Other Homebuilding	13,683	27,049
Total Homebuilding	172,974	388,255
Financial Services and Other	5,563	10,180
Corporate	50	184
Intercompany adjustments	(2,655)	(2,841)
Consolidated	$ 175,932	$ 395,778

The following table summarizes (loss) income before income taxes for each of the Company s six reportable segments (in thousands). Supervisory fees (Supervisory Fees), which are included in (loss) income before income taxes for each reportable segment in the table below, are charged by the Company s Corporate segment to the homebuilding segments and the Financial Services and Other segment. Supervisory Fees represent costs incurred by the Company s Corporate segment associated with certain resources that support the Company s other reportable segments. Transfers, if any, between operating segments are recorded at cost.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
(Loss) Income Before Income Taxes		
Homebuilding		
West	$ (10,303)	$ (61,391)
Mountain	(4,811)	(11,608)
East	(2,371)	(2,379)
Other Homebuilding	(831)	(1,896)
Total Homebuilding	(18,316)	(77,274)
Financial Services and Other	1,621	4,148
Corporate	(24,378)	(4,100)
Consolidated	$ (41,073)	$ (77,226)

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The following table summarizes total assets for each of the Company s six reportable segments (in thousands). Inter-company adjustments noted in the table below relate to loans from the Company s Financial Services and Other segment to its Corporate segment. The assets in the Company s Corporate segment primarily include cash, cash equivalents and short-term investments.

	March 31, 2009	December 31, 2008
Homebuilding		
West	$ 210,626	$ 255,652
Mountain	270,753	288,221
East	131,866	151,367
Other Homebuilding	29,228	38,179
Total Homebuilding	642,473	733,419
Financial Services and Other	100,430	139,569
Corporate	1,676,205	1,647,907
Intercompany adjustments	(45,957)	(45,957)
Consolidated	$ 2,373,151	$ 2,474,938

The following table summarizes depreciation and amortization of long-lived assets and amortization of deferred marketing costs for each of the Company s six reportable segments (in thousands).

	Three Months Ended March 31,	
	2009	2008
Homebuilding		
West	$ 1,746	$ 5,374
Mountain	562	917
East	503	781
Other Homebuilding	108	414
Total Homebuilding	2,919	7,486
Financial Services and Other	219	187
Corporate	755	939
Consolidated	$ 3,893	$ 8,612

13. Commitments and Contingencies

The Company often is required to obtain bonds and letters of credit in support of its obligations for land development and subdivision improvements, homeowner association dues and start-up expenses, warranty work, contractor license fees and earnest money deposits. At March 31, 2009, the Company had issued and outstanding performance bonds and letters of credit totaling $147.5 million and $32.2 million, respectively, including $7.2 million in letters of credit issued by HomeAmerican. In the event any such bonds or letters of credit issued by third parties are called, MDC could be obligated to reimburse the issuer of the bond or letter of credit.

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Notes to Unaudited Consolidated Financial Statements (Continued)

14. Lines of Credit and Total Debt Obligations

Homebuilding. The Company s homebuilding line of credit (Homebuilding Line) is an unsecured revolving line of credit with a group of lenders for support of its homebuilding segments. The Homebuilding Line has an aggregate commitment amount of $800 million (the Commitment) and a maturity date of March 21, 2011. In accordance with the provisions of the Homebuilding Line, letters of credit are available in the aggregate amount of up to $300 million. The Homebuilding Line permits an increase in the maximum commitment amount to $1.3 billion upon the Company s request, subject to receipt of additional commitments from existing or additional participant lenders. Interest rates for borrowings on the Homebuilding Line, if any, are determined by reference to an applicable London Interbank Offered Rate (LIBOR) or to an alternate base rate, each with a margin that is determined based on changes in the Company s credit ratings and leverage ratio. At March 31, 2009 and December 31, 2008, there were no borrowings under the Homebuilding Line and there were $23.1 million and $26.6 million, respectively, in letters of credit outstanding as of such dates, which reduced the amounts available to be borrowed under our Homebuilding Line.

Mortgage Lending. HomeAmerican has a Master Repurchase Agreement (the Mortgage Repurchase Facility) with U.S. Bank National Association (USBNA) and the other banks that are parties to the Mortgage Repurchase Facility (the Buyers). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of eligible mortgage loans to USBNA (as agent for the Buyers) with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, such loans are held by USBNA, as agent for the Buyers and as custodian, pursuant to the Custody Agreement (Custody Agreement), dated as of November 12, 2008, by and between HomeAmerican and USBNA. The Mortgage Repurchase Facility has a maximum aggregate commitment of $100 million and includes an accordion feature that permits the maximum aggregate commitment to be increased to $150 million, subject to the availability of additional commitments. The Mortgage Repurchase Facility expires on November 11, 2009. At March 31, 2009 and December 31, 2008, the Company had $4.1 million and $34.9 million, respectively, of mortgage loans that it was obligated to repurchase under the Mortgage Repurchase Facility.

Advances under the Mortgage Repurchase Facility carry a Pricing Rate based on the Libor Rate plus the Libor Margin or, at HomeAmerican s option, a Balance Funded Rate (the foregoing terms are defined in the Mortgage Repurchase Facility). The Mortgage Repurchase Facility contains various representations, warranties and affirmative and negative covenants customary for agreements of this type. The negative covenants include, among others, (i) an Adjusted Tangible Net Worth requirement, (ii) a minimum Adjusted Tangible Net Worth Ratio, (iii) a minimum net income requirement, and (iv) a minimum Liquidity requirement (the foregoing terms are defined in the Mortgage Repurchase Facility).

The Mortgage Repurchase Facility is accounted for as a debt financing arrangement in accordance with SFAS 140. Accordingly, at March 31, 2009 and December 31, 2008, amounts advanced under the Mortgage Repurchase Facility, which were used to finance mortgage loan originations, have been reported under the mortgage repurchase facility in the Consolidated Balance Sheets.

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Notes to Unaudited Consolidated Financial Statements (Continued)

General. The agreements for the Company s Homebuilding Line and Mortgage Repurchase Facility require compliance with certain representations, warranties and covenants. The Company believes that it is in compliance with these representations, warranties and covenants, and the Company is not aware of any covenant violations.

The financial covenants contained in the Homebuilding Line agreement include a leverage test. A failure to satisfy the leverage test would not result in a default, but would initiate a scheduled reduction in the amount of the Commitment. At March 31, 2009, the Company did not maintain a 2.0 to 1.0 Interest Coverage Ratio (as defined in the Homebuilding Line) and, as a result, the Company s maximum permitted leverage ratio (as defined in its Homebuilding Line agreement) is 50% as of March 31, 2009. Under this test, the Company s leverage ratio (as defined in the Homebuilding Line agreement) has a floor of 50% and a maximum of 55%.

The Company s Homebuilding Line agreement covenants also include a consolidated tangible net worth test. Under this test, the Company s Consolidated Tangible Net Worth (as defined) must not be less than a Minimum Consolidated Tangible Net Worth (as defined) which is as follows: (1) $850 million; plus (2) 50% of consolidated net income, as defined, earned by the Company and the guarantor subsidiaries after September 30, 2008; plus (3) 50% of the net proceeds or other consideration received by the Company for the issuance of capital stock after September 30, 2008; minus (4) the lesser of (A) the aggregate amount paid by the Company after September 30, 2008 to repurchase its common stock and (B) $300 million. Failure to satisfy this covenant test would not result in a default, but would result in a scheduled reduction in the amount of the Commitment. As of March 31, 2009, the Company s required Minimum Consolidated Tangible Net Worth was approximately $851 million and its actual Consolidated Tangible Net Worth was approximately $992 million.

The Company s debt obligations at March 31, 2009 and December 31, 2008 are as follows (in thousands):

	March 31, 2009	December 31, 2008
7% Senior Notes due 2012	$ 149,325	$ 149,282
5 1/2% Senior Notes due 2013	349,567	349,543
5 3/8% Medium-Term Senior Notes due 2014	248,985	248,947
5 3/8% Medium-Term Senior Notes due 2015	249,763	249,755
Total Senior Notes, net	$ 997,640	$ 997,527
Homebuilding line of credit	-	-
Total Corporate and Homebuilding Debt	997,640	997,527
Mortgage repurchase facility	4,117	34,873
Total Debt	$ 1,001,757	$ 1,032,400

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Notes to Unaudited Consolidated Financial Statements (Continued)

15. Income Taxes

In accordance with SFAS No. 109, Accounting for Income Taxes, (SFAS 109) the Company is required, at the end of each interim period, to estimate its annual effective tax rate for the fiscal year and use that rate to provide for income taxes for the current year-to-date reporting period. As a result, the Company s overall effective income tax rates were 0.5% and 5.7% for the three months ended March 31, 2009 and 2008, respectively. The decrease in the effective tax rate during the 2009 first quarter, compared with the same period during 2008, resulted primarily from the inability to carry back the net operating loss at March 31, 2009.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The increase in the Company s total deferred tax asset at March 31, 2009 (per the table below) resulted primarily from an increase in the Company s federal net operating loss carry forward.

In accordance with SFAS 109, a valuation allowance is recorded against a deferred tax asset if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized. The Company had a valuation allowance of $309.6 million and $294.3 million at March 31, 2009 and December 31, 2008, respectively, resulting in a net deferred tax asset of zero. The Company s future realization of its deferred tax assets ultimately depends on the existence of sufficient taxable income in the carryback or carryforward periods under the tax laws (currently 2 and 20 years, respectively). The Company will continue analyzing, in subsequent reporting periods, the positive and negative evidence in determining the expected realization of its deferred tax assets.

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Notes to Unaudited Consolidated Financial Statements (Continued)

The tax effects of significant temporary differences that give rise to the net deferred tax asset are as follows (in thousands).

	March 31, 2009	December 31, 2008
Deferred tax assets		
Asset impairment charges	$ 182,049	$ 197,670
Warranty, litigation and other reserves	44,506	45,619
Federal net operating loss carryforward	34,704	5,638
State net operating loss carryforward	25,000	22,426
Stock-based compensation expense	14,659	13,758
Accrued liabilities	9,885	9,661
Inventory, additional costs capitalized for tax purposes	5,592	5,951
Property, equipment and other assets, net	3,705	3,826
Deferred revenue	614	792
Charitable contribution carryforward	546	542
Total deferred tax assets	321,260	305,883
Valuation allowance	(309,613)	(294,269)
Total deferred tax assets, net of valuation allowance	11,647	11,614
Deferred tax liabilities		
Deferred revenue	6,042	6,024
Inventory, additional costs capitalized for financial statement purposes	725	722
Accrued liabilities	720	709
Other, net	4,160	4,159
Total deferred tax liabilities	11,647	11,614
Net deferred tax asset	$ -	$ -

16. Supplemental Guarantor Information

The Company s senior notes and Homebuilding Line 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 Homes of Arizona, Inc.
Richmond American Homes of Colorado, Inc.
Richmond American Homes of Delaware, Inc.
Richmond American Homes of Florida, LP

M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Richmond American Homes of Illinois, Inc.
Richmond American Homes of Maryland, Inc.
Richmond American Homes of Nevada, Inc.
Richmond American Homes of New Jersey, Inc.
Richmond American Homes of Pennsylvania, Inc.
Richmond American Homes of Utah, Inc.
Richmond American Homes of Virginia, Inc.
Richmond American Homes of West Virginia, Inc.

Subsidiaries that do not guarantee the Company s senior notes and Homebuilding Line (collectively, the Non-Guarantor Subsidiaries) primarily include:

American Home Insurance
American Home Title
HomeAmerican
StarAmerican
Allegiant

The Company has determined that separate, full financial statements of the Guarantor Subsidiaries would not be material to investors and, accordingly, supplemental financial information for the Guarantor Subsidiaries is presented.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Balance Sheet

March 31, 2009

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
ASSETS					
Cash and cash equivalents	$ 1,561,977	$ 2,497	$ 20,157	$ -	$ 1,584,631
Short-term investments	22,909	-	-	-	22,909
Unsettled trades, net	3,254	-	-	-	3,254
Restricted cash	-	471	-	-	471
Receivables	10,366	22,337	46,087	(45,957)	32,833
Mortgage loans held-for-sale, net	-	-	29,900	-	29,900
Inventories, net					
Housing completed or under construction	-	349,405	-	-	349,405
Land and land under development	-	206,581	-	-	206,581
Investment in subsidiaries	73,452	-	-	(73,452)	-
Other assets, net	78,080	61,280	3,807	-	143,167
Total Assets	$ 1,750,038	$ 642,571	$ 99,951	$ (119,409)	$ 2,373,151
LIABILITIES					
Accounts payable	$ 47,106	$ 19,381	$ 570	$ (45,957)	$ 21,100
Accrued liabilities	135,179	125,488	59,000	-	319,667
Advances and notes payable to parent and subsidiaries	(460,514)	466,939	(6,425)	-	-
Mortgage repurchase facility	-	-	4,117	-	4,117
Senior notes, net	997,640	-	-	-	997,640
Total Liabilities	719,411	611,808	57,262	(45,957)	1,342,524
STOCKHOLDERS EQUITY	1,030,627	30,763	42,689	(73,452)	1,030,627
Total Liabilities and Stockholders Equity	$ 1,750,038	$ 642,571	$ 99,951	$ (119,409)	$ 2,373,151

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Balance Sheet

December 31, 2008

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
ASSETS					
Cash and cash equivalents	$ 1,279,684	$ 3,536	$ 21,508	$ -	$ 1,304,728
Short-term investments	54,864	-	-	-	54,864
Unsettled trades, net	57,687	-	-	-	57,687
Restricted cash	-	670	-	-	670
Receivables	176,522	30,100	43,889	(45,957)	204,554
Mortgage loans held-for-sale, net	-	-	68,604	-	68,604
Inventories, net					
Housing completed or under construction	-	415,500	-	-	415,500
Land and land under development	-	221,822	-	-	221,822
Investment in subsidiaries	77,617	-	-	(77,617)	-
Other assets, net	79,832	63,213	3,464	-	146,509
Total Assets	$ 1,726,206	$ 734,841	$ 137,465	$ (123,574)	$ 2,474,938
LIABILITIES					
Accounts payable	$ 46,794	$ 27,397	$ 559	$ (45,957)	$ 28,793
Accrued liabilities	135,417	136,759	60,649	-	332,825
Advances and notes payable to parent and subsidiaries	(534,452)	540,509	(6,057)	-	-
Mortgage repurchase facility	-	-	34,873	-	34,873
Senior notes, net					