MDC HOLDINGS INC
Form 424B2
May 14, 2003

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Filed pursuant to Rule 424(b)(2)
Registration No. 333-97225

PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 2, 2002)

$150,000,000

M.D.C. Holdings, Inc.
5 1/2% Senior Notes due 2013

We are offering $150,000,000 aggregate principal amount of our 5 1/2% Senior Notes due 2013.

We will pay interest on the notes semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2003. The notes will mature on May 15, 2013.

We may redeem the notes at any time at the redemption prices set forth in this prospectus supplement under Description of Notes Optional Redemption.

The notes will be senior unsecured obligations of our company and will rank equally with all of our existing and future unsecured and senior indebtedness.

The notes will be unconditionally guaranteed jointly and severally by certain of our subsidiaries on a senior unsecured basis.

Our common stock is listed on the New York Stock Exchange under the symbol of MDC. We intend to make application to list the notes on the New York Stock Exchange.

Before buying any notes, you should read the discussion of material risks of investing in our notes beginning on page S-10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes, or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	99.033%	$148,549,500
Underwriting discount	0.650%	$ 975,000
Proceeds to M.D.C. Holdings, Inc. (before expenses)	98.383%	$147,574,500

Interest on the notes will accrue from May 19, 2003 to the date of delivery.

The underwriters expect to deliver the notes to purchasers on or about May 19, 2003.

Joint Bookrunning Managers

Citigroup **Banc One Capital Markets, Inc.**

Co-Lead Manager

Wachovia Securities

Credit Suisse First Boston	**Deutsche Bank Securities**	**BNP PARIBAS**

Comerica Securities	**McDonald Investments Inc.**
Merrill Lynch & Co.	**SunTrust Robinson Humphrey**

May 12, 2003

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You should only rely on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where such offer is not permitted. You should not assume the information provided by this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein is accurate as of any date other than the date on the front of this prospectus supplement, the date on the front of the accompanying prospectus or the date of the applicable incorporated document, as applicable.

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The information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference concerning the homebuilding industry, our market share, our size relative to other homebuilders and other matters is derived principally from publicly available information and from industry sources. Although we believe the publicly available information and the information from industry sources are reliable, we have not independently verified any of this information and we cannot assure you of its accuracy.

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FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions, (2) interest rate changes, (3) the relative stability of the debt and equity markets, (4) competition, (5) the availability and cost of land and other raw materials used by us in our homebuilding operations, (6) the availability and cost of performance bonds and insurance covering risks associated with our business, (7) shortages and the cost of labor, (8) weather related slowdowns, (9) slow growth initiatives, (10) building moratoria, (11) governmental regulation, including the interpretation of tax, labor and environmental laws, (12) changes in consumer confidence and preferences, (13) required accounting changes, (14) terrorist acts and other acts of war, and (15) other factors over which we have little or no control. See the section entitled Risk Factors.

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PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary of the offering. To fully understand the investment you are contemplating you must consider this prospectus supplement, the accompanying prospectus and the detailed information incorporated into them by reference, including our financial statements and their accompanying notes. Unless the context otherwise requires, the terms M.D.C. Holdings, Inc., the Company, we and our refer to M.D.C. Holdings, Inc., a Delaware corporation, and its subsidiaries.

The Company

We are a leading homebuilder, selling homes to the first-time and move-up buyer under the name Richmond American Homes. We are one of the largest builders of single-family detached homes in the United States. We also provide mortgage financing, primarily for our home buyers, through our wholly owned subsidiary, HomeAmerican Mortgage Corporation, or HomeAmerican. For the twelve months ended December 31, 2002, we were among the nation s top homebuilders in terms of sales and home closings. We are the largest homebuilder in Colorado; among the top five homebuilders in Northern Virginia, Tucson, Phoenix and Las Vegas; among the top ten homebuilders in suburban Maryland, Northern California, Southern California and Salt Lake City; and have recently entered the Dallas/ Fort Worth and Houston, Texas markets. During the three months ended March 31, 2003, we generated total revenues and net income of $569.6 million and $37.0 million, respectively, and during the twelve months ended December 31, 2002, we generated total revenues and net income of $2.3 billion and $167.3 million, respectively.

We have a significant presence in some of the strongest housing markets in the United States. Homes are designed, built and sold by our wholly owned subsidiaries to meet local customer preferences and the changing needs of home buyers. The base prices of our homes generally range from approximately $90,000 to $500,000, although we also build homes with base prices as high as $1,400,000. Our average sales price per home closed in the first quarter of 2003 was $263,600 and in 2002, 2001 and 2000 was $254,000, $254,100 and $227,300, respectively.

Our mortgage lending operations are an integral part of our homebuilding business. HomeAmerican is a full service mortgage lender originating mortgage loans primarily for our home buyers through offices located in each of our markets. HomeAmerican is the principal originator of mortgage loans for our home buyers. In the first quarter of 2003 and in all of 2002, HomeAmerican originated or brokered loans for 81% of our home buyers.

During the first quarter of 2003, compared with the same quarter in 2002, home sales revenues increased 24% to $553.6 million, while our homebuilding operating profit increased over 11% to $64.5 million. During 2002, compared with 2001, our home sales revenues increased 9% to $2.3 billion, while our homebuilding operating profit increased almost 6% to $296 million. At March 31, 2003, our backlog was 5,300 units with an estimated sales value of $1.4 billion, compared with 4,035 units with an estimated sales value of $1.12 billion at December 31, 2002 and 3,984 units with an estimated sales value of $1.05 billion at March 31, 2002. In the first quarter of 2003, our mortgage lending revenues and operating profit were $14.5 million and $7.6 million, respectively, compared with revenues and operating profit of $9.4 million and $5.0 million for the first quarter of 2002. In 2002, our mortgage lending revenues and operating profit were $45.4 million and $24.2 million, respectively, compared with revenues and operating profit of $38.6 million and $21.1 million for 2001.

Business Strategy

We believe our success is driven by our discipline and focus on our homebuilding operations. Our business strategy is designed for controlled growth and includes the following:

Geographic diversification in attractive growth markets Our homebuilding operations have a significant or growing market share in 18 geographic markets in nine states. We have selected these markets based on our belief in their prospects for economic, population and employment growth. Our objective is to have a significant presence in each of these markets, which enables us to compete effectively for land, subcontractor labor and customers.

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Disciplined land inventory policy We seek to maintain a two-year supply of land. Our land acquisition policy is designed to maximize the risk-weighted return on our capital. We prefer to acquire finished lots pursuant to rolling option contracts, where possible, or in phases for cash. When potential returns justify the risk, we also acquire land for development into finished lots. We generally limit the acquisition of lots in new projects to no more than a two-year supply of lots to avoid overexposure to any single submarket. Generally, we acquire finished lots and land for development only in areas that have available utilities and suitable zoning and entitlements. Our asset management committee, comprised of senior officers of the Company, must approve all land acquisitions following a detailed due diligence process.

Diverse product and home buyer base We build and market homes in a variety of series, each designed to appeal to the largest segments of the housing market, first-time and move-up home buyers. Within each series we build several models, each with different floor plans, elevations and features. We continually re-engineer and redesign our homes in response to customer preferences within a particular geographic region.

Strong operating efficiency and returns We continue to focus on increasing our returns and reducing our costs. Our initiatives include designing more efficient homes, emphasizing sales of options and upgrades through Company-operated design centers, use of complementary businesses to drive incremental operating profits, coordinating sales activities with construction and expanding our national purchasing program.

Strong financial position Consistent with our focus over the last decade, we hold among our primary priorities the continued strengthening of our balance sheet and maintaining significant financial flexibility and liquidity. We currently have no joint ventures, off-balance sheet financing arrangements or agreements to purchase land with specific performance provisions enforceable by sellers, and we have virtually no goodwill on our balance sheet.

Experienced management Our top three executives average over 24 years with the Company. Our division managers average nearly 20 years of experience in the homebuilding business. Each division manager is responsible for managing the day-to-day activities of that division, supported by centralized treasury, human resources, information systems, legal and risk management services.

Our principal executive offices are located at 3600 South Yosemite Street, Suite 900, Denver, Colorado 80237, and our telephone number is (303) 773-1100.

Recent Developments

On May 12, 2003, we elected to redeem all of our outstanding 8 3/8% senior notes on May 28, 2003. The 8 3/8% senior notes are redeemable by us at 104.188% of their principal amount, or approximately $182.3 million, plus accrued and unpaid interest through the date of redemption. See Use of Proceeds and Capitalization.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see the section Description of Notes.

Securities Offered	$150,000,000 aggregate principal amount of 5 1/2% Senior Notes due 2013.
Maturity Date	May 15, 2013.
Interest Payment Dates	Interest will accrue from the date of issuance and will be payable semi-annually on each May 15 and November 15, commencing November 15, 2003.
Optional Redemption	We may redeem the notes at any time, in whole or in part, at the redemption prices set forth under Description of Notes Optional Redemption, plus accrued and unpaid interest, if any, to the redemption date.
Ranking	The notes will be our general unsecured obligations. Your right to payment under these notes will be: effectively junior to the rights of our secured creditors to the extent of the value of their security in our assets; equal with the rights of creditors under our unsecured unsubordinated debt; and senior to the rights of creditors under our debt that is expressly subordinated to these notes. At March 31, 2003, after giving pro forma effect to the offering and the proposed use of proceeds as described under Use of Proceeds, we would have had total consolidated indebtedness of approximately $476 million (including the notes), of which none was expressly subordinated and of which $89 million was secured indebtedness of our non-guarantor subsidiaries to which the notes will be effectively subordinated.
Guarantees	Certain of our existing domestic subsidiaries and future domestic subsidiaries will fully and unconditionally guarantee our obligations under the notes, jointly and severally, on a senior unsecured basis. Your right to payment under any guarantee will be: effectively junior to the rights of secured creditors to the extent of their security in the guarantors assets; equal with the rights of creditors under the guarantors other unsecured unsubordinated debt; and senior to the rights of creditors under the guarantors debt that is expressly subordinated to the guarantees. At March 31, 2003, our guarantor subsidiaries had no indebtedness reflected on our consolidated balance sheet and our non-guarantor subsidiaries had approximately $89 million of indebtedness reflected on our consolidated balance sheet to which the notes will be structurally subordinated. Your right to payment under the notes will be effectively subordinated to the indebtedness and other obligations (including trade payables) of non-guarantor subsidiaries.

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Covenants	The indenture imposes certain limitations on our ability and the ability of our restricted subsidiaries to: issue certain additional secured indebtedness; and engage in sale and lease-back transactions. These covenants are subject to important exceptions and qualifications, which are described under the heading Description of Notes. The indenture does not limit the amount of unsecured debt that we may issue or include a change of control provision.
Risk Factors	You should carefully consider the factors discussed in detail elsewhere in this prospectus supplement under the caption Risk Factors.
Use of Proceeds	We estimate that we will receive net proceeds from the offering, after deducting the underwriters discount and commissions and before offering expenses, of approximately $147.6 million. On May 28, 2003, we will redeem all of our outstanding 8 3/8% senior notes. Pending redemption of the 8 3/8% senior notes, we will use net proceeds from the offering to reduce amounts outstanding under our revolving homebuilding line of credit and for general corporate purposes. We plan to then draw down on the homebuilding line of credit and use those funds, together with cash on hand, to redeem the 8 3/8% senior notes. See Use of Proceeds.

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Selected Financial and Other Data

The income statement data and balance sheet data set forth below at December 31, 2002, 2001, 2000, 1999 and 1998 and for the years then ended have been derived from the Company s audited consolidated financial statements. The income statement data and balance sheet data set forth below at March 31, 2003 and for the three months ended March 31, 2003 and 2002 have been derived from the Company s unaudited financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such information. The operating results for the three months ended March 31, 2003 are not necessarily indicative of results for the full fiscal year. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, the Company s Consolidated Financial Statements and the notes thereto incorporated herein by reference and other financial information in our Annual Report on Form 10-K for the year ended December 31, 2002 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2003, incorporated herein by reference.

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)						
	(dollars in thousands)						
INCOME STATEMENT DATA:							
Revenue	$569,642	$456,374	$2,318,524	$2,125,874	$1,751,545	$1,567,638	$1,263,209
Operating profit							
Homebuilding	$ 64,458	$ 57,844	$ 295,604	$ 279,267	$ 227,319	$ 162,258	$ 86,764
Financial services	7,567	5,030	24,194	21,116	14,282	13,169	15,788
Net corporate expenses(1)	(11,259)	(9,828)	(45,754)	(44,996)	(38,400)	(26,974)	(18,700)
Loss on extinguishment of debt(2)	0	0	0	0	0	0	(24,900)
Income before income taxes	$ 60,766	$ 53,046	$ 274,044	$ 255,387	$ 203,201	$ 148,453	$ 58,952
Net income	$ 37,037	$ 32,336	$ 167,305	$ 155,715	$ 123,303	$ 89,392	$ 36,254
Ratio of earnings to fixed charges(3)	7.88x	11.68x	11.68x	10.86x	8.26x	7.50x	5.07x

(1) Net corporate expenses represent (a) net realized gains and losses on corporate investments and marketable securities, (b) interest, dividend and other income, and (c) corporate general and administrative expense.

(2) Loss on Extinguishment of debt in 1998 has been reclassified from extraordinary to ordinary in accordance with the Company s adoption of Statement of Financial Accounting Standards No. 145.

(3) In computing the ratio of earnings to fixed charges, fixed charges consist of homebuilding and corporate interest incurred plus (a) amortization and expensing of debt expenses and (b) the interest component of rent expense. Earnings are computed by adding fixed charges (except interest capitalized) and amortization of previously capitalized interest during the period to pretax earnings from continuing operations.

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	March 31, 2003		December 31,				
	Actual	As Adjusted and Further Adjusted(1)	2002	2001	2000	1999	1998
	(unaudited)						
	(dollars in thousands)						
BALANCE SHEET DATA:							
Assets:							
Housing completed or under construction	$ 634,677	$ 634,677	$ 578,475	$ 456,752	$ 443,512	$337,029	$294,104
Land and land under development	643,698	643,698	656,843	450,502	388,711	308,680	217,180
Total assets	1,617,239	1,585,488	1,595,180	1,190,956	1,061,598	877,008	714,013
Homebuilding and Corporate Debt:							
Homebuilding:							
Line of credit	$ 90,000	$ 90,000	$ 0	$ 0	$ 90,000	$ 40,000	$ 21,871
Notes payable	0	0	0	0	0	0	866
8 3/8% senior notes(2)	174,585	0	174,568	174,503	174,444	174,389	174,339
7% senior notes(3)	148,450	148,450	148,422	0	0	0	0
5 1/2% senior notes(3)	0	148,550	0	0	0	0	0
Total senior notes	323,035	297,000	322,990	174,503	174,444	174,389	174,339
Stockholders Equity	$ 816,195	$ 810,479(4)	$ 800,567	$ 653,831	$ 482,230	$389,023	$298,131
Ratio of Debt to Stockholders Equity(5)	.51x	.48x	.40x	.27x	.55x	.55x	.66x

(1) As adjusted to give effect to this offering of $150,000,000 aggregate principal amount of notes and the immediate application of the estimated proceeds therefrom and further adjusted to give effect to the announced redemption of our 8 3/8% senior notes. See Use of Proceeds and Capitalization.

(2) Notes issued under 1998 Indenture (as defined under Description of Notes).

(3) Notes issued under 2002 Indenture (as defined under Description of Notes).

(4) Reflects a reduction to retained earnings of approximately $5.7 million as a result of the premium on the redemption of our 8 3/8% senior notes and expensing of unamortized debt issue cost and discount, net of the tax effect of the redemption.

(5) Excludes mortgage lending debt from calculation.

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	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)						
	(dollars in thousands)						
OPERATING DATA:							
Home sales revenues	$ 553,575	$ 445,167	$2,260,291	$2,076,807	$1,701,108	$1,526,519	$1,218,659
Orders for homes, net (units)	3,365	2,776	9,899	7,701	7,835	7,232	7,191
Homes closed (units)	2,100	1,674	8,900	8,174	7,484	7,221	6,293
Backlog							
Units(1)	5,300	3,984	4,035	2,882	3,292	2,941	2,930
Estimated sales value(1)	$1,400,000	$1,050,000	$1,120,000	$ 760,000	$ 775,000	$ 600,000	$ 580,000
Average selling price per home closed	$ 263.6	$ 265.9	$ 254.0	$ 254.1	$ 227.3	$ 211.4	$ 193.7
Home gross margins(2)	22.8%	23.4%	23.0%	23.2%	22.3%	19.3%	16.9%
Home gross margins excluding interest	23.7%	24.4%	23.9%	24.4%	23.6%	21.2%	19.5%
Corporate and Homebuilding SG&A as a % of Home Sales Revenues	13.4%	13.0%	12.3%	12.1%	11.9%	10.8%	11.5%

(1) At the end of each period.

(2) We define home gross margins to mean home sales revenues less cost of goods sold (which primarily includes land and construction costs, capitalized interest, financing costs, and a reserve for warranty expense) as a percent of home sales revenues.

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RISK FACTORS

Before purchasing these notes, you should consider all of the information set forth in this prospectus supplement, the accompanying prospectus and the information incorporated herein by reference, and, in particular, you should evaluate the risk factors set forth below.

An adverse change in economic conditions could reduce the demand for homes and, as a result, could reduce our earnings.

Changes in national and regional economic conditions, as well as local economic conditions where we conduct our operations and where prospective purchasers of our homes live, can have a negative impact on our business. Adverse changes in employment levels, job growth, consumer confidence, housing demand, interest rates and population growth may reduce demand and depress prices for our homes. This, in turn, can reduce our earnings.

If land is not available at reasonable prices, our sales and earnings could decrease.

Our operations depend on our ability to continue to obtain land for the development of our residential communities at reasonable prices. Changes in the general availability of land, competition for available land, availability of financing to acquire land, zoning, regulations that limit housing density and other market conditions may hurt our ability to obtain land for new residential communities. If the supply of land appropriate for development of our residential communities becomes more limited because of these factors, or for any other reason, the cost of land could increase and/or the number of homes that we build and sell could be reduced.

If the market value of our homes drops significantly, our profits could decrease.

The market value of our land and housing inventories depends on market conditions. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to make profits similar to what we have made in the past, may experience less than anticipated profits and/or may not be able to recover our costs when we build and sell homes. In the face of adverse market conditions, we may have substantial inventory carrying costs or we may have to sell land or homes at a loss.

Interest rate increases or changes in federal lending programs could lower demand for our homes and adversely impact our mortgage lending operations.

Our homebuilding and mortgage lending operations are dependent upon the availability and cost of mortgage financing. Nearly all of our customers finance the purchase of their homes, and a significant number of these customers arrange their financing through our mortgage lending subsidiary, HomeAmerican. Increases in home mortgage interest rates may reduce the demand for homes and home mortgages and, generally, will reduce home mortgage refinancing activity. We are unable to predict the extent to which recent or future changes in home mortgage interest rates will affect operating activities and results of operations.

In addition, we believe that the availability of Federal National Mortgage Association (Fannie Mae)/ Federal Home Loan Mortgage Corporation (Freddie Mac)/ Federal Housing Administration and Veterans Administration mortgage financing is an important factor in our marketing strategy. Any changes, limitations or restrictions on the availability of these types of financing could reduce our home sales and mortgage lending volume.

Competition in the homebuilding industry could adversely affect our business.

The real estate industry is fragmented and highly competitive. We compete with numerous homebuilders, including a number that are substantially larger and have greater financial resources. We also compete with subdivision developers and land development companies, some of which are themselves homebuilders or affiliates of homebuilders. Homebuilders compete for customers, desirable financing, land, building materials and subcontractor labor. Competition for home orders primarily is based upon price, style, financing provided to prospective purchasers, location of property, quality of homes built, customer service and general reputation in

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the community. We, through our mortgage lending subsidiary HomeAmerican, also compete with numerous banks, thrifts and other mortgage bankers, many of which are larger and have greater resources than we do.

Our business is subject to numerous environmental and other governmental regulations. These regulations could give rise to significant additional liabilities or expenditures, or restrictions on our business, any of which could adversely affect our business.

Our operations are subject to continuing compliance requirements mandated by applicable federal, state and local statutes, ordinances, rules and regulations, including zoning and land use ordinances, building, plumbing and electrical codes, contractors licensing laws, state insurance laws, federal and state human resources laws and regulations and health and safety regulations and laws (including, but not limited to, those of the Occupational Safety & Health Administration). Various localities in which we operate have imposed (or may impose in the future) fees on developers to fund schools, road improvements and low and moderate income housing.

From time to time, various municipalities in which we operate restrict or place moratoriums on the availability of utilities, including water and sewer taps. Additionally, certain jurisdictions in which we operate have proposed or enacted growth initiatives which may restrict the number of building permits available in any given year. In addition, in certain parts of Colorado, water taps may become more difficult to obtain if current drought conditions continue. Although we can give you no assurances as to future conditions or governmental actions, we believe that we have, or can obtain, water and sewer taps and building permits for our land inventory and land held for development.

Our homebuilding operations also are affected by environmental laws and regulations pertaining to availability of water, municipal sewage treatment capacity, land use, hazardous waste disposal, naturally occurring radioactive materials, building materials, population density and preservation of endangered species, natural terrain and vegetation. Due to these considerations, we generally obtain an environmental site assessment for parcels of land that we acquire. The particular environmental laws and regulations that apply to any given homebuilding project vary greatly according to a particular site s location, the site s environmental conditions and the present and former uses. These environmental laws may result in project delays, cause us to incur substantial compliance and other costs and/or prohibit or severely restrict homebuilding activity in certain environmentally sensitive regions or areas.

Product liability litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect our business.

As a homebuilder, we are subject to construction defect and home warranty claims, including moisture intrusion and related mold claims, arising in the ordinary course of business. These claims are common to the homebuilding industry and can be costly. In addition, the costs of insuring against construction defect and product liability claims are high and the amount of coverage offered by insurance companies is currently limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims, we may experience losses that could hurt our business.

The level of our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations on the notes.

We have, and after consummation of this offering will continue to have, significant debt service obligations. At March 31, 2003, after giving pro forma effect to this offering and the application of the estimated proceeds therefrom, we would have had total consolidated indebtedness of approximately $476 million, including $89 million of obligations of our subsidiaries that are not guarantors to which the notes would be structurally subordinated. The degree to which we are leveraged could have important consequences to you, including:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes may be limited;

- a portion of our cash flows from operations must be used to pay principal and interest on the notes and other indebtedness, which will reduce the funds available to us for other purposes;

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- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business; and

- our indebtedness could make us more vulnerable in the event of a downturn in our business or in general economic conditions.

Our ability to meet our debt service and other obligations will depend upon our future performance and we cannot assure you that we will be able to meet such obligations. We are engaged in businesses that are substantially affected by changes in economic cycles, and our revenues and earnings vary with the level of general economic activity in the markets in which we build homes, many of which are beyond our control. Our ability to meet our debt service obligations may also be affected by changes in prevailing interest rates, as borrowings under certain of our existing credit facilities bear interest at floating rates. See Capitalization.

In the event that internally generated funds and amounts available under our existing credit facilities are not sufficient to fund our capital expenditures and our debt service obligations, including the notes, we would be required to raise additional funds through the sale of equity securities, the refinancing of all or part of our indebtedness or the sale of assets. These alternatives are dependent upon financial, business and other general economic factors affecting us, many of which are beyond our control, and we cannot assure you that any of the alternatives would be available to us. While we believe that cash flow generated by operations, along with borrowing availability under existing credit facilities, will provide adequate sources of long-term liquidity, a significant drop in operating cash flows resulting from economic conditions, competition or other uncertainties beyond our control could increase the need for refinancing, new capital or both.

The notes will be unsecured and effectively subordinated to our secured indebtedness and structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes.

The notes will be our general senior unsecured obligations, ranking equal in right of payment with our existing and any future unsubordinated indebtedness. However, because they are unsecured, the notes will be effectively junior to any of our secured indebtedness as to claims against the assets securing such indebtedness. The notes will be effectively subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes, including HomeAmerican. In the event of bankruptcy, liquidation or reorganization of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us. At March 31, 2003, our non-guarantor subsidiaries had approximately $89 million of indebtedness reflected on our consolidated balance sheet to which the notes would be structurally subordinated. The indenture governing the notes will permit our subsidiaries that are not guarantors to incur significant amounts of additional indebtedness, including secured indebtedness.

Our company structure may affect your investment and our ability to service our indebtedness.

Substantially all of our operations are conducted through our homebuilding subsidiaries and HomeAmerican. As a result, we are dependent upon our subsidiaries results of operations and rely on dividends, advances and transfers of funds from our subsidiaries to generate the funds necessary to meet our ongoing debt service obligations, including payment of our obligations under the notes. Our subsidiaries ability to pay such dividends or make such advances and transfers will be subject to, among other things, applicable state law and contractual restrictions imposed by existing and future agreements and debt instruments that we or our subsidiaries have or may enter into.

The interests of certain control persons may be adverse to the holders of these notes.

Larry A. Mizel, David D. Mandarich and other of our affiliates own, directly or indirectly, in the aggregate, approximately 30% of our outstanding common stock. Such persons may effectively be able to elect our entire board of directors and control our management, operations and affairs. Circumstances may occur in which the interest of the controlling shareholders could be in conflict with your interests. In addition, such persons may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment in us, even though such transactions may involve risks to you.

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Natural disasters could adversely affect our business.

The climates and geology of many of the states in which we operate, including California, present increased risks of natural disasters. To the extent that hurricanes, severe storms, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, the homebuilding industry in general, and our business in particular, in such states may be adversely affected.

Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors.

The notes will be guaranteed by certain of our existing and future domestic subsidiaries. The guarantees may be subject to review under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws if a bankruptcy or reorganization case or lawsuit is commenced by or on behalf of our or one of a guarantor s unpaid creditors. Under these laws, if a court were to find in a bankruptcy or reorganization case or lawsuit that, at the time any guarantor issued its guarantee of the notes:

- it issued the guarantee to delay, hinder or defraud present or future creditors; or
- it received less than reasonably equivalent value or fair consideration for issuing the guarantee at the time it issued the guarantee and
  - it was insolvent or rendered insolvent by reason of issuing the guarantee, and the application of the proceeds of the notes of the guarantee; or
  - it was engaged, or about to engage, in a business or transaction for which its remaining unencumbered assets constituted unreasonably small capital to carry on its business; or
  - it intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature; or
  - it was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment, the judgment is unsatisfied;

then the court could void the obligations under such guarantee, subordinate the guarantee to that of the guarantor s other debt or take other action detrimental to you and the guarantees of the notes.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the law of the jurisdiction that is being applied in any proceeding to determine whether a fraudulent transfer had occurred. Generally, however, a person would be considered insolvent if, at the time it incurred the debt:

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to the standard that a court would use to determine whether or not the guarantors were solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or the guarantees would not be subordinated to the guarantors other debt. If such case were to occur, the guarantee could also be subject to the claim that, because the guarantee was incurred for the benefit of M.D.C. Holdings, Inc., and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration.

We cannot assure you that an active trading market will develop for these notes.

The notes are a new issue of securities. There is no active public trading market for the notes. We intend to apply for listing of the notes and the guarantees on the New York Stock Exchange; however, we cannot assure you that the notes and guarantees will be so listed. In addition, we cannot assure you that any market or that an active trading market will develop for your notes, that you will be able to sell your notes, or that, even if you can sell your notes, you will be able to sell them at an acceptable price.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the offering, after deducting the underwriters discount and commissions and before offering expenses, of approximately $147.6 million. On May 28, 2003, we will redeem all of our outstanding 8 3/8% senior notes scheduled to mature in February 2008, of which there were $174.6 million, net of unamortized discount, outstanding at March 31, 2003. Pending redemption of the 8 3/8% senior notes, we will use net proceeds from the offering to reduce amounts outstanding under our revolving homebuilding line of credit and for general corporate purposes. We plan to then draw down on the homebuilding line and use those funds, together with cash on hand, to redeem the 8 3/8% senior notes.

At March 31, 2003, there was $90.0 million of indebtedness under our homebuilding line of credit with a weighted average interest rate of 2.78% as of March 31, 2003. The homebuilding line of credit matures on July 29, 2006.

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CAPITALIZATION

The following table sets forth the cash and capitalization of the Company at March 31, 2003, on an historical basis, on an as adjusted basis to give effect to the sale by the Company of the notes offered hereby and the immediate application of the estimated proceeds therefrom as described under Use of Proceeds and on a further adjusted basis to give effect to the redemption of our 8 3/8% senior notes. See Prospectus Summary Recent Developments.

	March 31, 2003		
	Actual	As Adjusted(1)	As Further Adjusted(2)
		(unaudited) (dollars in thousands)	
Cash on hand	$ 58,073	$ 115,305	$ 26,630
Debt:			
Corporate and homebuilding			
Line of credit	$ 90,000	$ 0	$ 90,000
8 3/8% Senior Notes due 2008	174,585	174,585	0
7% Senior Notes due 2012	148,450	148,450	148,450
5 1/2% Senior Notes due 2013	0	148,550	148,550
Total corporate and homebuilding debt	413,035	471,585	387,000
Financial services line of credit	88,552	88,552	88,552
Total debt	501,587	560,137	475,552
Stockholders Equity:			
Preferred stock, $.01 par value; 25,000,000 shares Authorized; no shares issued	0	0	0
Common stock, $.01 par value; 100,000,000 shares Authorized; 31,823,000 shares issued	318	318	318
Additional paid-in capital	377,015	377,015	377,015
Retained earnings	536,415	536,415	530,699(3)
Unearned restricted stock	(1,175)	(1,175)	(1,175)
Accumulated other comprehensive income	129	129	129
	912,702	912,702	906,986
Less treasury stock at cost, 5,913,000 shares	(96,507)	(96,507)	(96,507)
Total stockholders equity	816,195	816,195	810,479
Total capitalization	$1,317,782	$1,376,332	$1,286,031

(1) As adjusted to reflect this offering of $150,000,000 aggregate principal amount of notes and the repayment of outstanding indebtedness under the homebuilding line.

(2) As further adjusted for the redemption of our 8 3/8% senior notes on May 28, 2003.

(3)

Reflects a reduction to retained earnings of approximately $5.7 million as a result of the premium on the redemption of our 8 3/8% senior notes and expensing of unamortized debt issue cost and discount, net of the tax effect of the redemption.

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BUSINESS

Our business consists of two segments, homebuilding and financial services. In our homebuilding segment, our homebuilding subsidiaries build and sell single-family homes in metropolitan Denver, Colorado Springs and Northern Colorado; Salt Lake City, Utah; Northern Virginia and suburban Maryland; Northern and Southern California; Phoenix and Tucson, Arizona; Las Vegas, Nevada; and Dallas/ Fort Worth and Houston, Texas. In the financial services segment, our wholly owned subsidiary HomeAmerican also provides mortgage financing primarily for our home buyers.

Our strategy is to build homes generally for the first-time and first-time move-up buyer, the largest group of prospective home buyers. The base prices for these homes generally range from $90,000 to $500,000, although we also build homes with base prices as high as $1,400,000. The average selling price of our homes closed in the first quarter of 2003 was $263,600 and in 2002, 2001 and 2000 was $254,000, $254,100 and $227,300, respectively.

When opening a new homebuilding project, we generally acquire no more than a two-year supply of lots to avoid overexposure to any single sub-market. We prefer to acquire finished lots using rolling options or in phases for cash. We also acquire entitled land for development into finished lots when we determine that the risk is justified. Our Asset Management Committee, composed of members of corporate senior management, generally meets weekly to review all proposed land acquisitions and takedowns of lots under option.

Homes are designed and built to meet local customer preferences. We are a general contractor for all of our projects and retain subcontractors for site development and home construction. We generally build single-family detached homes, except in Virginia and Maryland, where we also build townhomes.

HomeAmerican is a full service mortgage lender with offices in each of our markets, except Houston. Because it originates or brokers mortgage loans for approximately 81% of our home buyers, HomeAmerican is an integral part of our homebuilding business.

Homebuilding Segment

General. We are one of the largest homebuilders in the United States. We are a major regional homebuilder with a significant presence in a number of selected growth markets. We are the largest homebuilder in Colorado; among the top five homebuilders in Northern Virginia, Phoenix, Tucson and Las Vegas; among the top ten homebuilders in suburban Maryland, Northern California, Southern California and Salt Lake City; and have recently entered the Dallas/ Fort Worth and Houston markets. We believe a significant presence in our markets enables us to compete effectively for home buyers, land acquisitions and subcontractor labor.

We design, build and sell quality single-family homes at affordable prices, generally for the first-time and first-time move-up buyer. Almost 75% and 80%, respectively, of our homes closed in the first quarter of 2003 and in all of 2002 were in subdivisions targeted to first-time and first-time move-up buyers.

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Our operations are diversified geographically, as shown in the following table of home sales revenues by state for the first quarter of 2003 and 2002 and the years 2000 through 2002.

	Home Sales Revenues Three Months Ended March 31, (unaudited) (dollars in thousands)		Percent of Total Three Months Ended March 31, (unaudited)		Home Sales Revenues (dollars in thousands)			Percent of Total		
	2003	2002	2003	2002	2002	2001	2000	2002	2001	2000
Colorado	$161,275	$155,041	29%	35%	$ 731,211	$ 716,313	$ 659,549	32%	35%	39%
Utah	6,884		1%		16,936			1%		
California	171,150	125,437	31%	28%	645,700	611,899	443,332	29%	30%	26%
Arizona	100,367	70,717	18%	16%	370,367	346,582	228,550	16%	17%	13%
Nevada	50,954	30,162	9%	7%	227,319	133,548	111,108	10%	6%	7%
Virginia	36,713	44,711	7%	10%	183,668	196,656	183,900	8%	9%	11%
Maryland	24,725	19,099	5%	4%	84,913	71,809	74,669	4%	3%	4%
Texas	1,507		*		177			*		
Total	$553,575	$445,167	100%	100%	$2,260,291	$2,076,807	$1,701,108	100%	100%	100%

* Less than 1%.

Housing. We build homes in a number of basic series, each designed to appeal to a different segment of the home buyer market. Within each series we build several models, each with a different floor plan, elevation and standard and optional features. Differences in sales prices of similar models in any series depend primarily upon location, optional features and design specifications. The series of homes offered at a particular location are based on customer preference, lot size, the area s demographics and, in certain cases, the requirements of major land sellers and local municipalities.

Design centers are located in each of our homebuilding divisions, except the Texas divisions. Home buyers are able to customize certain features of their homes by selecting options and upgrades on display at the design centers. Home buyers can select finishes and upgrades soon after they decide to purchase a Richmond American home. The design centers not only provide our customers with a convenient way to select upgrades and options for their new homes, but also provide us with an additional source of revenue and profit.

We maintain limited levels of inventories of unsold homes in each of our markets. Unsold homes in various stages of completion allow us to meet the immediate and near-term demands of prospective home buyers. In order to mitigate the risk of carrying excess inventory, we have strict controls and limits on the number of our unsold homes under construction.

Land Acquisition and Development. We purchase finished lots using option contracts and in phases or in bulk for cash. We also acquire entitled land for development into finished lots when we determine that the risk is justified. In making land purchases, we consider a number of factors, including projected rates of return, sales prices of the homes to be built on the lots, population and employment growth patterns, proximity to developed areas, estimated costs of development and demographic trends. Generally, we acquire finished lots and land for development only in areas that will have, among other things, available building permits, utilities and suitable zoning. We attempt to maintain a supply of finished lots sufficient to enable us to start homes promptly after a contract for a home sale is executed. This approach is intended to minimize our investment in inventories and reduce the risk of shortages of labor and building materials. Increases in the cost of finished lots may reduce home gross margins in the future to the extent that market conditions would not allow us to recover the higher cost of land through higher sales prices.

We have the right to acquire a portion of the land we will require in the future utilizing option contracts, in some cases on a rolling basis. Generally, in an option contract, we obtain the right to purchase lots in consideration for an option deposit. In the event we elect not to purchase the lots within a specified period of

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time, we forfeit the option deposit. Our option contracts do not contain provisions requiring specific performance by us. This practice limits our risk and avoids a greater demand on our liquidity. At March 31, 2003, we had the right to acquire 6,813 lots under option agreements with approximately $16,172,000 in non-refundable cash option deposits and $8,497,000 in letters of credit at risk. Because of increased demand for finished lots in certain of our markets, our ability to acquire lots using rolling options has been reduced or has become significantly more expensive.

We own various undeveloped parcels of real estate that we intend to develop into finished lots. We develop our land in phases (generally fewer than 100 lots at a time for each home series in a subdivision) in order to limit our risk in a particular project and to efficiently employ available liquidity. Building permits and utilities are available and zoning is suitable for our current intended use for substantially all of our undeveloped land. When developed, these lots generally will be used in our homebuilding activities.

The table below shows the carrying value of land and land under development, by state, as of March 31, 2003 and 2002 (unaudited) and December 31, 2002, 2001 and 2000.

	March 31,		December 31,		
	2003	2002	2002	2001	2000
	(in thousands)				
Colorado	$139,499	$159,007	$140,930	$165,228	$126,524
Utah	13,083		12,984		
California	142,516	130,772	154,980	110,010	149,088
Arizona	88,459	83,700	92,639	70,602	50,937
Nevada	110,982	53,226	114,142	44,103	26,546
Virginia	111,756	60,804	113,717	49,929	29,596
Maryland	31,630	19,027	21,892	10,630	6,020
Texas	5,773		5,559		
Total	$643,698	$506,536	$656,843	$450,502	$388,711

The table below shows the number of lots owned and under option (excluding lots in work-in-process), by state, as of March 31, 2003 and 2002 (unaudited) and December 31, 2002, 2001 and 2000.

	March 31,		December 31,		
	2003	2002	2002	2001	2000
Lots Owned					
Colorado	4,459	5,640	4,733	5,777	5,905
Utah	728		730		
California	2,158	1,904	2,473	1,632	1,589
Arizona	3,225	3,388	3,356	3,099	2,298
Nevada	3,058	1,669	3,254	1,380	680
Virginia	1,901	1,556	2,018	1,511	1,052
Maryland	353	197	228	125	109
Texas	172		170		
Total	16,054	14,354	16,962	13,524	11,633

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	March 31,		December 31,		
	2003	2002	2002	2001	2000
Lots Under Option					
Colorado	1,169				