

MDC HOLDINGS INC  
Form DEF 14A  
March 04, 2019

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

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

**M.D.C. Holdings, Inc.**

*(Name of Registrant as Specified In Its Charter)*

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

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

**4350 South Monaco Street, Suite 500**

**Denver, Colorado 80237**

March 1, 2019

Dear Fellow Shareholders,

On behalf of the Board of Directors we would like to express our appreciation for your continued investment in the Company.

In 2018 the Company continued to build on more than four decades of operations during which it has become one of the leading homebuilding companies in the nation. We have grown from a net worth of \$50,000 in 1972 to almost \$1.6 billion at the fiscal year end, providing quality homes to over 200,000 families – all the while persevering through countless housing cycles over the years. The Company continues to maintain its risk-adjusted strategy, has experienced a very successful year delivering 6,197 homes and is positioned for future growth. Highlights of the Company's financial and operational performance include:

**INDUSTRY-LEADING SHAREHOLDER RETURNS**

Industry's #1 total shareholder return for 2018 - outperforming our peer group average by over 3,000 bps (our closest competitor by 1,260 bps) - as we approach the 35<sup>th</sup> anniversary of our listing on the New York Stock Exchange;  
Continuous and uninterrupted cash dividend since 1994 (unequaled by any member of the peer group);  
Annual dividends increased by 30% in 2018;  
Declared an 8% stock dividend in January 2019.

**ROBUST OPERATING RESULTS**

Home sale revenues of \$2.98 billion, which was \$482 million higher than 2017 (*19% higher*);  
o Home closings from affordable product offerings increased from 22% in 2017 to 40% in 2018 (*82% higher*);  
Pretax income of \$263.9 million was \$34 million higher than 2017 (*15% higher*);  
o Driven by an industry-leading gross profit margin expansion;  
Both home sale revenues and pretax income reached the highest level since 2006.

**POSITIONED FOR CONTINUED GROWTH**

Active subdivision count grew by 10% year-over-year to 166;

Approval of 151 land transactions covering more than 12,000 lots (almost 65% are approved for our affordable product offering).

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**STEADFAST FOCUS ON BALANCE SHEET STRENGTH**

Increased our homebuilding line of credit by \$300 million to \$1.0 billion (*43% higher*) with an extension of maturity to 2023;

Maintained a financial profile rated among the highest in the industry with a balanced land position and low unsold home inventories;

Increased year-end liquidity to \$1.48 billion - \$230 million higher than 2017 (*18% higher*).

**AN ONGOING COMMITMENT TO SOUND GOVERNANCE, A SKILLED AND DIVERSE BOARD, AND SUSTAINABLE BUSINESS PRACTICES**

We take pride in our achievements which we attribute, in no small measure, to devoted employees and a dedicated operating strategy that emphasizes financial stability in the pursuit of value-creation. We have been fortunate to expand our Board with Leslie Fox, an independent outside director with decades of real estate experience. She is the second female director to join our board in the past two years. We also are marking the 20<sup>th</sup> anniversary of the establishment of the MDC/Richmond American Homes Foundation, which continues to support corporate citizenship, philanthropy, and sustainability in the communities we are privileged to serve.

On behalf of the full Board of Directors, we strongly encourage you to vote your shares – your vote and support is a valuable element in our passion to succeed.

Sincerely,

Larry A. Mizel

Chairman of the Board of Directors and Chief Executive Officer

M.D.C. Holdings, Inc.

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

**4350 South Monaco Street, Suite 500**

**Denver, Colorado 80237**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To Our Shareholders:

The 2019 Annual Meeting of Shareholders (the "Meeting") of M.D.C. Holdings, Inc. (the "Company") will be held at 4350 South Monaco Street, 6<sup>th</sup> Floor, Assembly Room, Denver, Colorado, on Monday, April 29, 2019, at 12:00 Noon, Mountain Time. Only shareholders of record at the close of business on March 1, 2019, the record date, will be entitled to vote. At the Meeting, we plan to consider and act upon the following matters:

1. The election of Michael A. Berman, Herbert T. Buchwald, Larry A. Mizel and Leslie B. Fox as Class I Directors for three-year terms expiring in 2022;
2. A non-binding advisory vote to approve the compensation of our named executive officers disclosed in this proxy statement (Say on Pay);  
Approval of an amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan to increase the shares
3. authorized for issuance under the plan and to amend certain provisions related to performance-based awards in connection with amendments to Section 162(m) of the Internal Revenue Code; and
4. Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

And such other business as properly may come before the Meeting and any postponements or adjournments thereof.

Our Board of Directors recommends that you vote **FOR** all Proposals.

Management and the Board of Directors desire to have maximum representation at the Meeting and request that you vote promptly, even if you plan to attend the meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

Joseph H. Fretz

*Secretary*  
Denver, Colorado

March 1, 2019

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**Important Notice Regarding the Availability of Proxy Materials**

**for the Shareholder Meeting to Be Held on April 29, 2019:**

**The Proxy Statement and the Annual Report on Form 10-K are available at:**

**[www.rdgir.com/mdc-holdings-inc](http://www.rdgir.com/mdc-holdings-inc)**

**Important Voting Information**

Under New York Stock Exchange rules, unless you provide specific instructions, your broker is not permitted to vote on your behalf on the election of Directors or on proposals other than ratification of the selection of the Company's auditors. It is important that you provide specific instructions by completing and returning the broker's Voting Instruction Form or following the instructions provided to you to vote your shares by telephone or the Internet.

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

**4350 South Monaco Street, Suite 500**

**Denver, Colorado 80237**

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**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**April 29, 2019**

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**GENERAL INFORMATION**

**Why am I receiving these materials?**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board of Directors" or the "Board") of M.D.C. Holdings, Inc. (the "Company") to be used at the Annual Meeting of Shareholders of the Company (the "Meeting") to be held at our principal executive offices, 4350 South Monaco Street, 6<sup>th</sup> Floor, Assembly Room, Denver, Colorado 80237, on Monday, April 29, 2019, at 12:00 Noon, Mountain Time, and any postponements or adjournments thereof. The record date for determining shareholders entitled to vote at the Meeting is March 1, 2019 (the "Record Date"). The Meeting is being held for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Our shareholders are invited to attend the Meeting and are encouraged to vote on the matters described in this Proxy Statement.

**What proxy materials are being delivered?**

We are utilizing the rules of the Securities and Exchange Commission ("SEC") that allow us to deliver proxy materials to our shareholders on the Internet. Under these rules, we are sending most of our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a full set of proxy materials. If you receive the Notice, you

will not receive printed copies of the proxy materials unless you specifically request them. Instead, the Notice tells you how to access and review on the Internet all of the important information contained in the proxy materials. The Notice also tells you how to vote your proxy card on the Internet and how to request a printed copy of our proxy materials. We expect to mail, or provide the Notice and electronic delivery of, this Proxy Statement, the proxy card and the Notice of Annual Meeting (the "Proxy Materials") on or about March 8, 2019.

The Company's 2018 Annual Report on Form 10-K, which includes the Company's 2018 audited financial statements, will accompany these Proxy Materials. Except to the extent expressly referenced in this Proxy Statement, the Annual Report is not incorporated into this Proxy Statement.

**Who is paying for this proxy solicitation?**

The Company will pay the cost of solicitation. The Company also will reimburse bankers, brokers and others holding shares in their names or in the names of nominees or otherwise for reasonable out-of-pocket expenses incurred in sending the Proxy Materials to the beneficial owners of such shares. In addition to the original solicitation of proxies, solicitations may be made in person, by telephone or by other means of communication by Directors, officers and employees of the Company, who will not be paid any additional compensation for these activities.

We have retained the services of Alliance Advisors, LLC to solicit proxies. We will pay all reasonable costs associated with such firm, which we anticipate will cost approximately \$13,000 plus costs and expenses.

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**Who is entitled to vote at or attend the Annual Meeting?**

Holders of shares of the Company's common stock, \$.01 par value, at the close of business on the Record Date are entitled to notice of, and to vote at, the Meeting. All shareholders of record and beneficial owners wishing to attend the Meeting must bring with them a government issued picture identification of themselves and check in at the registration desk at the Meeting. Beneficial owners must also bring proof of ownership as described below. Attendees must comply with the rules of conduct available at the registration desk. A list of shareholders of record entitled to vote at the Meeting will be available for examination by any shareholder at the Meeting and for ten days prior to the Meeting at our principal executive offices.

Shareholders will have sufficient time immediately following the Meeting to ask questions of and have a dialogue with the Company's Chairman and CEO, President and COO, CFO and each of the members of the Board of Directors in attendance.

**Shareholders of Record.** If, on the Record Date, your shares were registered directly in your name with the Company's transfer agent, Continental Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the Meeting or vote by proxy.

**Beneficial Owners.** If, on the Record Date, your shares were not held in your name, but rather were held in an account at a brokerage firm, bank or other nominee (commonly referred to as being held in "street name"), or through our 401(k) savings plan, you are the beneficial owner of those shares. The organization holding your account is considered to be the shareholder of record for purposes of voting at the Meeting. As a beneficial owner, you have the right to direct your broker or other nominee regarding how to vote the shares held in your account. You are also invited to attend the Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the Meeting unless you obtain a valid legal proxy from your broker or other nominee and bring the legal proxy to the Meeting. (Legal proxies are not available for shares held through our 401(k) savings plan; you must vote those shares as provided below.) If you want to attend the Meeting, but not vote at the Meeting, you must provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to the Record Date.

**How do I vote my shares?**

**By Telephone or the Internet.** Shareholders can vote their shares via telephone or the Internet as instructed in the Notice of Internet Availability of Proxy Materials. The telephone and Internet procedures are designed to authenticate a shareholder's identity, allow shareholders to vote their shares and confirm that their instructions have been properly recorded. The telephone and Internet voting facilities will close at 11:59 p.m., Eastern Time, on April 28, 2019. (Participants in our 401(k) savings plan have an earlier deadline – see below.)

**By Mail.** Shareholders who receive a paper proxy card may vote by mail and should complete, sign and date their proxy card and mail it in the pre-addressed envelope that accompanied the delivery of the paper proxy card. Proxy cards submitted by mail must be received by the time of the Meeting in order for your shares to be voted. Beneficial shareholders (shares held in street name) may vote by mail by requesting a paper proxy card according to the instructions received from their broker or other agent, and then completing, signing and dating the voting instruction card provided by the broker or other agent and mailing it in the pre-addressed envelope provided.

**401(k) Savings Plan.** If your shares are held through our 401(k) savings plan, you will receive the Notice of Internet Availability of Proxy Materials, or copies of the Proxy Materials, and you are entitled to instruct the plan trustee how to vote the shares allocated to your account following the instructions described above. You must provide your instructions no later than 11:59 p.m., Eastern Time, on April 24, 2019.

**At the Meeting.** Shares held in your name as the shareholder of record may be voted by you in person at the Meeting. Shares held beneficially in street name may be voted by you in person at the Meeting only if you obtain a legal proxy from the broker or other agent that holds your shares, giving you the right to vote the shares, and you bring the legal proxy to the Meeting.

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**What if I receive more than one Notice of Internet Availability of Proxy Materials?**

If you receive more than one Notice, you hold shares in more than one name or shares in different accounts. To ensure that all of your shares are voted, you will need to vote separately by telephone or the Internet using the specific control number contained in each Notice that you receive.

**Can I change my vote or revoke my proxy?**

You can change your vote or revoke your proxy before the Meeting. You can do this by casting a later proxy through any of the available methods described above. If you are a shareholder of record, you can also revoke your proxy by delivering written notice of revocation to the Secretary of the Company, by presenting to the Company a later-dated proxy card executed by the person executing the prior proxy card or by attending the Meeting and voting in person. If you are a beneficial owner, you can revoke your proxy by following the instructions sent to you by your broker, bank or other agent.

**How are votes counted?**

Shares of common stock represented by properly executed proxy cards, or voted by proxy, by telephone or the Internet, and received in time for the Meeting will be voted in accordance with the instructions specified in the proxies. Unless contrary instructions are indicated in a proxy, the shares of common stock represented by such proxy will be voted **FOR** the election as Directors of the nominees named in this Proxy Statement and **FOR** all of the other proposals. If you grant a proxy (other than for shares held in our 401(k) savings plan), either of the officers named as proxy holders, Michael Touff and Joseph H. Fretz, or their nominees or substitutes, will have the discretion to vote your shares on any additional matters that are properly presented for a vote at the Meeting or at any adjournment or postponement that may take place. If, for any unforeseen reason, any of our nominees is not available as a candidate for Director, the persons named as the proxy holder may vote your proxy for another candidate or other candidates nominated by our Board.

The trustee of the 401(k) savings plan will vote the number of shares of common stock allocated to each participant's accounts as directed by the participant if the direction is received in time to be processed. The trustee will vote any shares with respect to which it does not receive timely directions so that the proportion of the shares voted in any particular manner on any matter is the same as the proportion of the shares with respect to which the trustee has received timely directions, unless contrary to ERISA.

The inspector of elections designated by the Company will use procedures consistent with Delaware law concerning the voting of shares, the determination of the presence of a quorum and the determination of the outcome of each matter submitted for a vote.

**What are the voting entitlements and requirements?**

Each share of common stock issued and outstanding on the Record Date, other than shares held by the Company or a subsidiary, is entitled to one vote on each matter presented at the Meeting. As of the Record Date, approximately 61,338,701 shares of common stock were issued, outstanding and entitled to vote.

The Company's By-Laws provide that the holders of one-third of the shares of common stock issued and outstanding and entitled to vote, present in person or represented by proxy, constitute a quorum for transacting business at the Meeting. Shareholders who are present in person or represented by proxy, whether they vote for, against or abstain from voting on any matter, will be counted for purposes of determining whether a quorum exists. Broker non-votes, described below, also will be counted as present for purposes of determining whether a quorum exists.

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The affirmative vote of the holders of a plurality of the shares of common stock present in person or represented by proxy and entitled to vote at the Meeting will be required for the election of a nominee to the Board of Directors (which means that the four nominees who receive the most votes will be elected).

The affirmative vote of the holders of a majority of the shares of Common Stock represented and entitled to vote at the Meeting is necessary to (1) approve, on an advisory basis, the executive compensation practices disclosed in this proxy statement; (2) approve the amendment to the 2011 Equity Incentive Plan; and (3) ratify the appointment of the Company's auditor. Because your vote on executive compensation is advisory, it will not be binding upon the Company.

Rules of the New York Stock Exchange ("NYSE") determine whether NYSE member organizations ("brokers") holding shares for an owner in street name may vote on a proposal without specific voting instructions from the owner. For certain types of proposals, the NYSE has ruled that the "broker may vote" without specific instructions and on other types of proposals the "broker may not vote" without specific client instructions. A "broker non-vote" occurs when a proxy is received from a broker and the broker has not voted with respect to a particular proposal. The proposal to ratify the selection of the auditor is a "broker may vote" matter under the rules of the NYSE. As a result, brokers holding shares for an owner in street name may vote on the proposal even if no voting instructions are provided by the beneficial owner. The other proposals are "broker may not vote" matters. As a result, brokers holding shares for an owner in street name may vote on these proposals only if voting instructions are provided by the beneficial owner.

The following table reflects the vote required for the proposals and the effect of broker non-votes, withhold votes and abstentions on the vote, assuming a quorum is present at the Meeting:



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| <b>Proposal</b>                        | <b>Vote Required</b>   | <b>Effect of Broker Non-Votes, Withhold Votes and Abstentions</b>                                 |
|--|--|---|
| 1. Election of Directors               | The four nominees who receive the most votes will be elected.  | Broker non-votes and withhold votes have no effect.   |
| Advisory vote to approve               | Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote at the Meeting. | Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal. |
| 2. executive compensation (Say on Pay) | Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote at the Meeting. | Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal. |
| Approval of an amendment               | Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote at the Meeting. | Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal. |
| 3. to the 2011 Equity Incentive Plan   | Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote at the Meeting. | Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal. |
| 4. Selection of Auditor                | Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote at the Meeting. | Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal. |

Management and the Board of Directors of the Company know of no other matters to be brought before the Meeting. If any other proposals are properly presented to the shareholders at the Meeting, the number of votes required for approval will depend on the nature of the proposal. Generally, under Delaware law and our By-Laws, the number of votes required to approve a proposal is the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Meeting. The proxy card gives discretionary authority to the proxy holders to vote on any matter not included in this Proxy Statement that is properly presented to the shareholders at the Meeting and any adjournments or postponements thereof. The persons named as proxies on the proxy card are Michael Touff, the Company's Senior Vice President and General Counsel, and Joseph H. Fretz, the Company's Secretary and Corporate Counsel.

**DELIVERY OF PROXY MATERIALS TO SHAREHOLDERS WITH SHARED ADDRESSES**

The broker, bank or other nominee of any shareholder who is a beneficial owner, but not the record holder, of the Company's common stock may deliver only one copy of the proxy related materials to multiple shareholders sharing an address (a practice called "householding"), unless the broker, bank or nominee has received contrary instructions from one or more of the shareholders.

In addition, with respect to shareholders of record, in some cases, only one copy of the proxy related materials may be delivered to multiple shareholders sharing an address, unless the Company has received contrary instructions from one or more of the shareholders. Upon written or oral request, the Company will deliver free of charge a separate copy of each of the proxy related materials, as applicable, to a shareholder at a shared address to which a single copy was delivered. You can notify your broker, bank or other nominee (if you are not the record holder) or the Company (if you are the record holder) that you wish to receive a separate copy of such materials in the future, or alternatively, that you wish to receive a single copy of the materials instead of multiple copies. The Company's contact information for these purposes is: M.D.C. Holdings, Inc., telephone number: (303) 773-1100, Attn: Corporate Secretary, 4350 South Monaco Street, Suite 500, Denver, CO 80237.

**ANNUAL REPORT ON FORM 10-K**

The Company will provide without charge to each person solicited by this Proxy Statement, upon the request of that person, a copy of our Annual Report on Form 10-K (without exhibits) for our most recent fiscal year. Please direct that request in writing to Investor Relations, M.D.C. Holdings, Inc., 4350 S. Monaco Street, Denver, Colorado 80237.

Table of Contents**PROPOSAL ONE ELECTION OF DIRECTORS**

The Company's Certificate of Incorporation provides for three classes of directors (“Directors”) with staggered terms of office, to be divided as equally as possible. Directors of each class serve for terms of three years until election and qualification of their successors or until their resignation, death, disqualification or removal from office.

Our Board has ten members, consisting of four Class I Directors whose terms expire in 2019, three Class II Directors whose terms expire in 2020 and three Class III Directors whose terms expire in 2021. At the Meeting, four Class I Directors are to be elected to three-year terms expiring in 2022. The nominees for the Class I Directors are Michael A. Berman, Herbert T. Buchwald, Larry A. Mizel and Leslie B. Fox. All of the nominees presently serve on the Board of Directors of the Company. Ms. Fox was appointed to the Board in June 2018 following a review of potential non-management candidates by current non-management directors and the recommendation of the Corporate Governance/Nominating Committee. Based on the recommendation of the Corporate Governance/Nominating Committee, the Board approved the nomination of Messrs. Berman, Buchwald and Mizel and Ms. Fox for election as Class I Directors at the 2019 Annual Meeting.

Certain information, as of March 1, 2019, the Record Date, with respect to Messrs. Berman, Buchwald and Mizel and Ms. Fox, the nominees for election, and the continuing Directors of the Company, furnished in part by each such person, appears below:

| Name                                 | Independent<br>Age | Positions and Offices with the<br>Company<br>and Other Principal Occupations  | Committee Memberships |              |   |       |
|--------------------------------------|--------------------|---|-----------------------|--------------|---|-------|
|                                      |                    |   | Audit                 | Compensation | Corporate<br>Governance /<br>Nominating | Legal |
| <b>NOMINEES:</b>                     |                    |   |                       |              |   |       |
| <b>Class I: Terms Expire in 2019</b> |                    |   |                       |              |   |       |
| Michael A. Berman                    | 68                 | Chairman, Applied Capital Management  | M                     |              |   |       |
| Herbert T. Buchwald                  | 87                 | Principal in the law firm of Herbert T. Buchwald, P.A. and President and Chairman of the Board of Directors of BPR Management Corporation | M                     | M            | M                                       | C     |
| Larry A. Mizel                       | 76                 | Chairman of the Board of Directors and Chief Executive Officer of the Company   |                       |              |   |       |
| Leslie B. Fox                        | 60                 | Real estate consultant and Community Philanthropy   | M*                    |              |   |       |

**CONTINUING DIRECTORS:**

**Class II: Terms Expire in 2020**

|                    |    |  |   |   |   |
|--------------------|----|--|---|---|---|
| David D. Mandarich | 71 | President and Chief Operating Officer of the Company |   |   |   |
| Paris G. Reece III | 64 | Private Investor and Community Philanthropy          | C |   |   |
| David Siegel       | 62 | Partner, Irell & Manella LLP                         |   | C | M |

**Class III: Terms Expire in 2021**

|                    |    |   |   |   |    |
|--------------------|----|---|---|---|----|
| Raymond T. Baker   | 68 | President of Gold Crown Management Company and Co-Director of the Gold Crown Foundation | C |   |    |
| David E. Blackford | 69 | President, Chief Executive Officer and Chairman of the Board of California Bank & Trust |   | M | M  |
| Courtney L. Mizel  | 45 | Attorney, Principal, Mizel Consulting and Community Philanthropy                        |   |   | M* |

C = Chair; M = Member

\* Appointed as of February 1, 2019.

The following is a brief description of the business experience during at least the past five years of each nominee for the Board of Directors of the Company and each of the continuing members of the Board. Their experience, qualifications, attributes or skills, set forth below, have led to the conclusion that each person should serve as a Director, in light of the Company's business and structure.

None of the business organizations identified below (excluding HomeAmerican Mortgage Corporation) are affiliates of the Company. None of the continuing Directors or Director nominees holds, or has held during the past five years, any directorship in any company with a class of securities registered pursuant to Section 12 of the Exchange Act, subject to the requirements of Section 15(d) of the Exchange Act or registered as an investment company under the Investment Company Act of 1940.

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**Class I Directors: Terms Expire in 2019**

**Larry A.**

**Mizel** *Larry A. Mizel* founded the Company in 1972 and has served as a Director and Chairman of the Board since its inception. He was appointed Chief Executive Officer of the Company in 1988, a position he currently holds. Mr. Mizel has provided the Company with leadership and judgment, serving as the Chief Executive Officer and Chairman of the Board of Directors, while advancing the long-term interests of the Company's shareholders. One of the most experienced leaders in the homebuilding industry, his knowledge and foresight provide the Board with invaluable guidance.

Chairman & CEO  
Director  
Since: 1972

**Herbert T. Buchwald**

*Lead Director*

Director Since: 1994

Committee Memberships:

- Legal Committee Chairman
- Audit Committee
- Compensation Committee
- Corporate Governance/Nominating Committee

*Herbert T. Buchwald* is a principal in the law firm of Herbert T. Buchwald, P.A. and president and chairman of the board of directors of BPR Management Corporation, a property management company located in Denver, Colorado, positions he has held for more than the past five years. Mr. Buchwald has been engaged in the acquisition, development and management of residential and commercial real estate in Florida, New Jersey and Colorado, through both publicly and privately held ventures for more than forty years. As an attorney, he has been admitted to practice before federal and state trial and appellate courts in Florida and Colorado. In addition, he holds an accounting degree and formerly was a practicing Certified Public Accountant. He has been a member of the Company's Board of Directors since March 1994. The combination of his knowledge, experience and skills provide the Company with strong oversight of accounting, financial, regulatory and legal matters, as well as the operation of the Company's real estate businesses.

**Michael A. Berman**

*Michael A. Berman* has over thirty-five years of experience in the financial services industry. He is a member of Applied Capital Management, a private investment management firm located in Scottsdale, Arizona, and has served as its chairman from 2002 to date. From 2005 to 2006, he also served as the chief executive officer of First Ascent Capital, a financial services firm located in New York. From 2006 until December 2008, he served as president and Chief Executive Officer of Real Estate Equity Exchange, Inc. (Rex & Co.), a financial services firm located in San Francisco, California. From January 1990 to March 1999, Mr. Berman was employed by The Nomura Securities Co., Ltd. (Tokyo) group of companies, where he held several senior executive positions, including that of President and CEO of Nomura Holding America Inc. and Chairman of Capital America, Nomura's commercial real estate lending subsidiary. In April 2006, Mr. Berman became a Director of the Company. Since 2006, he has been a director of HomeAmerican Mortgage Corporation, the Company's mortgage lending subsidiary. Mr. Berman's experience as a senior executive in corporate

Director Since: 2006  
Committee Memberships:

Audit Committee finance, in general, and the residential mortgage market, in particular, provide the Company with a valuable resource.

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***Leslie B. Fox***

Director Since:

2018 *Leslie B. Fox* has served in an executive capacity at multiple companies in the real estate industry. Most recently, she was the Chief Operating Officer of Invitation Homes, the largest owner/operator of single family housing rentals in the United States. Before that, Ms. Fox served as the Chief Operating Officer of American Residential Communities, the largest manufactured housing community operator and owner in the United States, and as the President of the affordable housing division at Equity Residential and as an Executive Vice President of that company. Ms. Fox also has served as an independent consultant in the real estate sector. Currently, Ms. Fox is serving on the Endowment Board and the Finance Committee for Craig Hospital in Denver, Colorado. Ms. Fox holds a Juris Doctor/Master of Business Administration from the University of Denver. Ms. Fox's experience as a senior executive in the real estate and housing industries, and her experience as an independent consultant in the real estate sector, provide the Company with a valuable resource and will contribute to the business perspectives of the Board.

Committee Memberships:

Audit Committee

(as of February 1, 2019)

**Class II Directors: Terms Expire in 2020**

***David D. Mandarich***

Director Since: 1994

*David D. Mandarich* has been associated with the Company since 1977. He was a Director from September 1980 until April 1989, and has been a Director continuously since March 1994. He was elected President and Chief Operating Officer of the Company in June 1999, a position he currently holds. A skilled and experienced leader in the homebuilding industry, Mr. Mandarich provides the Board with the benefit of his judgment and his knowledge and understanding of the Company's homebuilding business and operations.

***Paris G. Reece III***

Director Since: 2013

Committee Memberships:

Audit Committee Chairman

*Paris G. Reece III* was formerly the Company's Chief Financial Officer and Principal Accounting Officer, and retired on August 1, 2008. Since his retirement, Mr. Reece has performed consulting work and served in a volunteer position as the President of the Cancer League of Colorado, a leading non-profit organization that was established almost fifty years ago to raise money for cancer research and patient care. He joined the Company's Board of Directors in May 2013. As a Certified Public Accountant (Texas, non-practicing), a former Chief Financial Officer and a highly respected person within the homebuilding industry, Mr. Reece is uniquely qualified to provide the Company with strong oversight of accounting and financial matters, as well as the operation of the Company's homebuilding and financial services businesses.





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***David Siegel***

Director Since: 2009

Committee Memberships:

Corporate Governance/Nominating Committee Chairman

Legal Committee

*David Siegel* has been a partner in the law firm of Irell & Manella LLP for more than twenty-five years, where he leads that firm's securities litigation practice and formerly was the firm's Managing Partner. Mr. Siegel's law practice, for which he is nationally recognized, is concentrated on securities class actions, corporate governance, risk management, SEC reporting standards and regulatory compliance. Mr. Siegel has chaired and is a frequent speaker at various seminars on securities litigation, class actions, and trial techniques. He has been named by his peers as one of the "Best Lawyers in Commercial Litigation" in The Best Lawyers in America guide. Mr. Siegel has been a member of the Company's Board of Directors since June 2009. Mr. Siegel's knowledge and experience in corporate governance and litigation matters provide the Company with significant guidance and oversight.

**Class III Directors: Terms Expire in 2021**

***Raymond T. Baker***

Director Since: 2012

Committee Memberships:

Compensation Committee Chairman

*Raymond T. Baker* has served as President of Gold Crown Management Company, a real estate asset management company, from 1978 to present. He is the founder and has served as Co-Director of the Gold Crown Foundation since 1986. He also is a member of the Board of Directors of Alpine Banks of Colorado and Land Title Guarantee Company. Mr. Baker is currently serving as Chairman of the Board of the Denver Metropolitan Major League Baseball Stadium District and Chairman of the Board of the Metropolitan Football Stadium District (Denver). From February 2004 until May 2007, he served as a director of Central Parking Corporation. He has over thirty-five years of experience in the real estate and banking industries. Mr. Baker became a member of the Company's Board of Directors in January 2012. His experience and knowledge of the real estate and banking industries directly complement and support the Company's real estate activities and the financing of those activities.

***David E. Blackford***

Director Since: 2001

Committee Memberships:

Corporate Governance/Nominating Committee

*David E. Blackford* has over thirty-five years' experience in the banking industry. He is employed by California Bank & Trust (CB&T), a leading California banking institution and a division of Zions Bancorporation, National Association. Between 1998 and 2001, he was CB&T's managing director, serving on the board of directors and the Senior Loan Committee for Real Estate Finance. In May 2001 he was appointed chairman, president and chief executive officer of CB&T, positions he currently holds. He also is an executive vice president of Zions Bancorporation, National Association. Prior to 1998, he served as an executive officer in several financial institutions, including Bank One and Valley National Bank. He joined the Company's Board of Directors in April 2001. His experience and knowledge of historic and current institutional real estate lending practices, the regulatory process and the volatility of the credit markets provide a unique perspective to the Board.

Legal Committee

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***Courtney L.  
Mizel***

Director Since: *Courtney L. Mizel* is a Principal at Mizel Consulting where she has worked for over twenty years. In this role, Ms. Mizel consults with companies in various industries on matters relating to their business management and strategy, including operations, business development, marketing, as well as legal matters. She is also a Founding Director of The Counterterrorism Education Learning Lab, an organization dedicated to preventing terrorism through education, empowerment, and engagement. She is involved in a number of other non-profit activities, including serving on the Boards of Directors of Zimmer Children’s Museum, Sharsheret National, and JQ International. Ms. Mizel received her Bachelor of Science in Economics with honors from The Wharton School of the University of Pennsylvania and her Juris Doctor from the University of Southern California Gould School of Law. She is the daughter of the Company’s Chairman of the Board and Chief Executive Officer, Larry A. Mizel. Ms. Mizel’s professional and business achievements, intellect and diverse experiences will contribute to the business, governance and legal perspectives of the Board.

2017

Committee Memberships:

Legal Committee

(as of February 1, 2019)

Unless otherwise specified, proxies will be voted **FOR** the election of Ms. Fox and Messrs. Berman, Buchwald and Mizel. Management and the Board of Directors are not aware of any reasons that would cause Ms. Fox or any of Messrs. Berman, Buchwald and Mizel to be unavailable to serve as Directors. If any of them become unavailable for election, discretionary authority may be exercised by the proxy holders named in the proxy to vote for a substitute candidate or candidates nominated by the Board of Directors.

**The Board of Directors recommends a vote FOR the election of Ms. Fox and Messrs. Berman, Buchwald and Mizel as Directors.**

Table of Contents**INFORMATION CONCERNING THE BOARD OF DIRECTORS AND ITS COMMITTEES****The Board of Directors**

The Board of Directors and the Audit Committee meet monthly. The other committees meet regularly, as required. Directors also consider Company matters and participate in numerous communications with the Chairman of the Board of Directors and other officials of the Company wholly apart from the formal Board meetings.

The following table shows the frequency of the Board and Board committee meetings over the last three years:

|   | 2018 | 2017 | 2016 |
|---|------|------|------|
| Board of Directors                        | 12   | 12   | 12   |
| Audit Committee                           | 12   | 11   | 11   |
| Compensation Committee                    | 7    | 8    | 7    |
| Corporate Governance/Nominating Committee | 6    | 8    | 5    |
| Legal Committee                           | 9    | 8    | 10   |

***In 2018 – all of the Company's Directors attended 100% of the monthly meetings of the Board of Directors and the meetings of the committees on which they served.***

Directors are expected to attend the Company's annual meeting of shareholders. To facilitate their attendance, the annual meetings typically are scheduled the same day as a monthly Board meeting. In 2018, all of the Directors attended the Annual Meeting.

***Board Composition.***

The Company's Board is composed of Directors who provide diverse experience and talent to our Company. Four of our ten Directors have Board tenure of seven years or less, with two of these Directors serving as chairs of key Board Committees. New Directors bring a fresh perspective to our Board's deliberations. The remaining Directors continue to provide their knowledge, experience and understanding of the Company's approach to balancing risk and reward inherent in the homebuilding industry, which is fundamental to achieving long-term shareholder value. The professional qualifications of the Directors include a diverse range of talents and experiences well suited to guiding the Company in our challenging industry.

**Our Board is Uniquely Qualified to  
Oversee Company Strategy**

Real Estate

Finance

Homebuilding

Accounting

Senior Leadership

Legal

Risk Management

Regulatory

Banking

Business Management

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*Director Independence.*

Each of Ms. Fox and Messrs. Raymond T. Baker, Michael A. Berman, David E. Blackford, Herbert T. Buchwald, Paris G. Reece III and David Siegel are independent. NYSE listing standards require that the Board be comprised of a majority of independent directors. SEC rules and NYSE listing standards require that audit committees be comprised solely of independent directors. NYSE listing standards also require that corporate governance/nominating committees and compensation committees be comprised solely of independent directors.

Under the NYSE listing standards, no director qualifies as "independent" unless the Board of Directors affirmatively determines that the director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The NYSE listing standards also require that, in determining the independence of any director who will serve on the Company's Compensation Committee, the Board of Directors consider all factors specifically relevant to determining whether the director has a relationship with the Company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including the source of compensation of such director and whether the director is affiliated with the Company (or a subsidiary or affiliate of a subsidiary).

The Board has adopted standards of independence to assist in determining whether a director of the Company is independent. The standards are available on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).

The Company's Board of Directors has determined the independence of Directors based on a review conducted by the Corporate Governance/Nominating Committee. This determination included consideration of the deposit and payroll accounts the Company maintained at two banking divisions of Zions Bancorporation, National Association ("Zions"), of which Mr. Blackford is an officer. The Board also considered the participation by Zions as the smallest lender in the Company's revolving credit facility, in which there are several lenders. Mr. Blackford had no direct or indirect material interest in the foregoing transactions and the Board concluded that the amounts involved (less than 0.03% of Zions' revenues) were not significant.

With respect to the determination of Mr. Reece's independence, the Board considered that, until his retirement on August 1, 2008, he was the Executive Vice President and Chief Financial Officer of the Company. Mr. Reece is serving in a volunteer position as president of a non-profit organization (Cancer League of Colorado), which has received charitable contributions from the MDC/Richmond American Homes Foundation and some Company officers and directors totaling less than \$75,000 in 2018. He also serves in a volunteer position as a director of another non-profit organization (Families First of Colorado), which has received charitable contributions from the Foundation and some Company officers totaling less than \$20,000 in 2018. The Board concluded that the amounts involved were

not significant.

The Board determined that Ms. Leslie B. Fox and each of Messrs. Raymond T. Baker, Michael A. Berman, David E. Blackford, Herbert T. Buchwald, Paris G. Reece III and David Siegel have no material relationship with the Company, each is independent under the NYSE listing standards and each meets the foregoing standards of Director independence adopted by the Board, including for Audit and Compensation Committee membership. The Board determined that each of the foregoing Directors meets the independence standards for Audit Committee membership under the rules of the SEC and they each qualify as a “non-employee director” as defined in Rule 16b-3 of the Exchange Act. The Board also determined that Ms. Fox and each of Messrs. Baker, Berman, Blackford, Buchwald and Siegel, but not Mr. Reece, qualify as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).

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***Board Leadership and Risk Oversight.***

Larry A. Mizel serves as Chairman of the Board of Directors and the Chief Executive Officer of the Company. Mr. Mizel, who founded our Company, has served for 46 years and is the largest shareholder of the Company. He provides effective leadership and guidance in the development of the Company's risk profile, pursuit of its strategic goals and recognition of business opportunities that present themselves.

Herbert T. Buchwald serves as the Company's independent Lead Director. The independent Lead Director presides at the executive sessions of the independent Directors and his authority also includes approving the schedule of Board and Committee meetings and the agendas and topics to be considered at the Board and Committee meetings, coordinating the activities of the various Committees of the Board, advising the Chairman as to the quality, quantity and timeliness of the flow of information from management, and coordinating and developing the agenda for executive sessions of the Board's independent Directors. See "Lead Director" below.

The Board of Directors convenes on a monthly basis and is comprised of a majority of independent Directors. This independent majority and our regular governance practices, including periodic executive sessions of the independent Directors at which the Lead Director presides, provide an effective and independent oversight of management.

Our Board of Directors oversees the Company's management and exposure to risk. The Board, itself and through its Committees, regularly discusses our material risk exposure, the potential impact on the Company and the efforts of management to manage the risks that are identified. In meetings with Company management, the head of the internal audit department and the external independent auditors, the Audit Committee reviews regulatory, information technology, financial and accounting risk exposure, reserves and the Company's internal controls. The Corporate Governance/Nominating Committee, with the guidance of corporate and outside counsel, considers the risks associated with corporate governance. The Compensation Committee considers risks associated with the elements contained in the Company's compensation programs. The Legal Committee considers the risks that arise from material litigation, regulatory issues and other legal issues. Each of our Committees generally reports to the Board on a monthly basis.

For the foregoing reasons, the Company has determined that its leadership structure is appropriate.

***Corporate Environmental and Social Responsibility***



We believe that sound corporate citizenship and attention to governance and environmental principles are essential to our success. We are committed to operating with integrity, contributing to sustainability of communities across the country through contributions to the MDC/Richmond American Homes Foundation, promoting diversity and inclusion, developing our employees and building our homes with a concern for their impact on the environment. We are also focused on the security of our information technology, including employee and customer data, as noted above. Our Board of Directors provides oversight of these ESG topics (as defined below), and is committed to supporting the Company's efforts to operate as a sound corporate citizen. We believe that an integrated approach to business strategy, corporate governance and corporate citizenship creates long-term value. The following summary highlights certain of our policies and initiatives in these areas.

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**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) HIGHLIGHTS**

|   |  |
|---|--|
| <b>Work Environment</b>                         | <ul style="list-style-type: none"> <li>• Equal employment opportunity hiring practices and policies</li> <li>• Anti-discrimination and anti-harassment policies that prohibit unlawful harassment directed at individuals in protected classes, prohibit sexual harassment, detail how to report harassment and prohibit retaliation against any employee for reporting unlawful harassment</li> <li>• Competitive benefits package including medical coverage, paid time off and 401(k) match</li> </ul>  |
| <b>Diversity and Inclusion</b>                  | <ul style="list-style-type: none"> <li>• Committed to fostering and promoting an inclusive work environment</li> <li>• Two directors are female, representing 25% of the non-executive members of the Board; approximately 17% of our Corporate officers are female</li> </ul>   |
| <b>Information Technology and Data Security</b> | <ul style="list-style-type: none"> <li>• Maintaining management oversight and technology processes to protect personal data</li> <li>• CFO Key Performance Indicators (“KPIs” – basis for annual bonus) for 2018 included oversight of the information technology department</li> <li>• Formal information technology / data security regular reporting to the Audit Committee and Board on a regular basis</li> </ul>   |
| <b>Community Investment</b>                     | <ul style="list-style-type: none"> <li>• The MDC/Richmond American Homes Foundation, formed in 1999, donates to a variety of non-profit organizations and community programs</li> <li>• Support of charities in local communities surrounding MDC/Richmond American office locations through Company sponsored service projects</li> <li>• We encourage employees to donate through gift-matching to eligible non-profit institutions</li> </ul>   |
| <b>Business Conduct and Ethics Code</b>         | <ul style="list-style-type: none"> <li>• A corporate culture that promotes high standards of ethics and compliance for our business; many of our directors have an extensive background and experience in risk management</li> <li>• Corporate Code of Conduct sets forth principles to guide employee and director conduct, with training required for all employees and directors annually</li> </ul>  |
| <b>Anti-Bribery and Corruption Policies</b>     | <ul style="list-style-type: none"> <li>• Policies on political contributions and other restricted payments require compliance with all applicable political contribution and anticorruption laws</li> </ul>  |
| <b>Environment</b>                              | <ul style="list-style-type: none"> <li>• Formal procedure in place for confidential reporting of any suspected violations of law</li> <li>• Stormwater pollution prevention programs designed to prevent pollutants from reaching public sewers</li> <li>• In-depth environmental review of all new projects prior to purchase</li> <li>• Energywise building program resulted in 100% of new homes closed in 2018 being rated as more energy efficient than the typical resale home</li> <li>• Business continuity policies to ensure the safety of our personnel, facilities and critical business functions in case of natural disasters</li> </ul> |

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***Lead Director.***

By vote of the independent directors, Herbert T. Buchwald, an independent member of the Board, was elected Lead Director. In his capacity as our Lead Director, Mr. Buchwald has the following responsibilities:

Presides at Board meetings if the Chairman and the Chief Operating Officer are not present;  
Approves the schedule of Board and committee meetings and the agendas and topics to be considered at Board and committee meetings;  
Approves information being sent to the Board;  
Coordinates activities of the various Board committees;  
Advises the Chairman as to the quality, quantity and timeliness of the flow of information necessary to permit the independent Directors to effectively and responsibly perform their duties;  
Coordinates the agenda for and presides at executive sessions of the independent Directors;  
Acts as a liaison between the independent Directors and the Chairman of the Board as needed;  
Is available for communication and engagement with major shareholders, and engaged with institutional shareholders in 2018 and 2019;  
Facilitates the process of conducting Committee and Board self-evaluations;  
Promotes effective practices to achieve a high standard of corporate governance; and  
Provides guidance to the committee chairmen and independent Directors in the performance of their duties.

A description of the role of the Lead Director is posted on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).

**Board Committees and Related Matters**

***Audit Committee.***

The Audit Committee of the Board of Directors, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, consists of Messrs. Berman, Buchwald and Reece, who serves as Chairman. Mr. Baker withdrew in February 2018, at which time Mr. Berman joined the Committee. Ms. Fox also joined the Committee effective February 2019. Each member of the Audit Committee is "independent" and "financially literate" in the judgment of the Board of Directors, as defined in the listing standards of the NYSE and the rules of the SEC. In addition, the Board of Directors has determined that Mr. Buchwald is an "audit committee financial expert" as defined by applicable SEC regulations. The Board believes that his experience and qualifications described above under "Election of Directors" qualify him to act as the Audit Committee's audit committee financial expert.

The Audit Committee met twelve times during 2018. The organization, functions and responsibilities of the Audit Committee are described in the restated charter for the Audit Committee, which is posted on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com). The Audit Committee's functions include: assisting the Board in its oversight of the Company's compliance with legal and regulatory requirements, oversight of the Company's external auditors, review of the Company's financial statements, review of the annual audit plan and results of the audit, review of any significant modification in accounting policies, oversight of the duties of the Company's internal audit department and discussion of policies with respect to risk assessment and risk management.

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*Compensation Committee.*

The Compensation Committee met seven times during 2018. The Compensation Committee consists of Messrs. Buchwald and Baker, who serves as Chairman. Each member of the committee is independent in the judgment of the Board of Directors, as defined in the listing standards of the NYSE, and has been determined by the Board to qualify as an "outside director" under Section 162(m) of the Code and as a "non-employee director" as defined in Rule 16b-3 of the Exchange Act. The Compensation Committee approves executive compensation plans, reviews salaries, bonuses and other forms of compensation for officers and key employees of the Company, establishes salary levels, benefits and other forms of compensation for employees and addresses other compensation and personnel matters as the Board of Directors from time to time may request. The organization, functions and responsibilities of the Compensation Committee are described in the Compensation Committee's restated charter, which is posted on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).

For a discussion of the Company's compensation philosophy and a description of the Company's processes and procedures for the consideration and determination of executive and director compensation, see the "Compensation Discussion and Analysis" below.

*Scope of Authority of Compensation Committee*

The Compensation Committee has the authority to oversee all employee compensation levels, including benefits. Its goal is to have the Company develop compensation levels that will attract, retain, reward and motivate employees, that are competitive with those prevailing in the marketplace and are consistent with shareholder interests. The Compensation Committee also administers the Company's equity and other compensation plans, as they may be amended from time to time. The Compensation Committee may delegate the day-to-day administrative duties of these plans to Company officers, employees and agents.

The primary components of the Company's executive compensation have been: a base salary, annual performance-based bonuses and equity-based, long-term incentive awards. The Compensation Committee also has discretionary authority to award other forms of executive compensation.

The Compensation Committee reviews and establishes the base salaries for the executive officers annually. The base salaries of Mr. Mizel, the Chief Executive Officer, and Mr. Mandarich, President and Chief Operating Officer, were established in accordance with their employment agreements with the Company. The base salaries for Mr. Martin, Senior Vice President and Chief Financial Officer, and Mr. Touff, Senior Vice President and General Counsel, were established in the Compensation Committee's discretion.

Annual bonuses have been awarded to the Chief Executive Officer and the President and Chief Operating Officer pursuant to the terms of the 2013 Executive Officer Performance-Based Compensation Plan, which was approved by the shareholders in 2013.

The Company's 2018 Performance-Based Plan, adopted by the Compensation Committee and the Board in December 2018 for future performance-based award grants, provides for a broad range of incentive criteria and the adoption of performance goals for the Company's senior executive officers, Messrs. Larry A. Mizel and David D. Mandarich.

Annual bonuses for the Chief Financial Officer and General Counsel may be awarded based on an assessment by the Chief Executive Officer and the Chief Operating Officer of each individual's achievement of Key Performance Indicators ("KPIs") established for his position.

The Compensation Committee also has discretionary authority to determine equity awards, including stock options, restricted stock and/or performance share units, granted to the executive officers and may exercise that authority based on its subjective assessment and determination of the individual's performance, contributions to the Company and role in achieving the Company's results and objectives.

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Historically, the Company's Board of Directors, and not the Compensation Committee, has exercised the authority to consider and determine Director compensation, including retainer and meeting fees. The Non-Employee Directors receive equity compensation pursuant to the M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors approved by the shareholders in 2011 and amended with shareholder approval in 2016 (the "2011 Director Plan"), under which each Non-Employee Director is granted an option to purchase 25,000 shares of common stock annually. The options are fully vested on the date of the grant and exercisable six months thereafter. In lieu of an option, each Non-Employee Director can elect in advance to receive a restricted stock award that would result in the same expense to the Company as the stock option. Each restricted stock award vests on March 1st of the following year.

*Role of Executive Officers regarding Employee and Executive Compensation*

Mr. Mizel and Mr. Mandarich, with the assistance of the Company's human resources department, make recommendations to the Compensation Committee with respect to the structure of the compensation plans and proposals for compensation levels for Company employees, including the Chief Financial Officer and the General Counsel. The resources and processes used in making these recommendations involve a review of employee performance with respect to established goals, and overall Company performance subjectively compared to other public homebuilders and the Company's business plan.

The Compensation Committee took these recommendations into account, together with a variety of other inputs, in its decision making process.

*Corporate Governance/Nominating Committee.*

The Corporate Governance/Nominating Committee met six times during 2018. The Corporate Governance/Nominating Committee consists of Messrs. Blackford, Buchwald and Siegel, who serves as Chairman. Each member of the committee is independent in the judgment of the Board of Directors, as defined in the listing standards of the NYSE. The organization, functions and responsibilities of the Corporate Governance/Nominating Committee are described in the committee's charter, which is posted on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com). The functions of the Corporate Governance/Nominating Committee include development of and recommendations as to corporate governance principles and the Company's Code of Conduct, identification of individuals qualified to become Board members, the review of Director independence, the selection process for Director nominees and oversight of the self-evaluations of the Board and the Audit, Compensation and Corporate Governance/Nominating Committees.

Procedures for nominating persons for election to the Board are contained in the Company's By-Laws and, accordingly, those procedures constitute the Company's policy with regard to the nomination and consideration of Director candidates recommended by shareholders. The Corporate Governance/Nominating Committee will consider candidates identified by shareholders following the procedures set forth in the By-Laws. There have been no changes to these procedures in the last year.

The By-Laws provide that nominations of persons for election to the Board of Directors may be made at a meeting of shareholders by any shareholder entitled to vote for the election of Directors and who complies with the notice procedures set forth in the By-Laws. Specifically, such nominations shall be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a shareholder's notice shall be delivered to, or mailed and received at, the principal offices of the Company not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 75 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth in writing the information required by the By-Laws. The chairman of the meeting will determine whether or not the nomination was made in accordance with the foregoing procedure. If it was not, the chairman will so declare and the defective nomination will be disregarded. If it was, the nomination will be considered. The Corporate Governance/Nominating Committee may request that additional information be provided in connection with consideration of the nomination.



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The Corporate Governance/Nominating Committee believes that all candidates for the Board, including candidates recommended by shareholders, should have experience in appropriate areas and disciplines and, ideally, will add to the experience of current Board members. While the Committee does not have a formal diversity policy, in identifying Director nominees and recommending candidates for nomination by the Board, the Committee considers and assesses, in addition to applicable requirements of law and of the NYSE, the diversity of the candidate's experience, qualifications and background including business experience, specific expertise, strength of character, judgment, and other factors (such as gender, ethnicity and age) deemed appropriate to contribute meaningfully to the Board's capability to serve as effective, engaged stewards of shareholders' interests. The Committee, as well as the full Board, understands that our long-term sustainable future depends on broadening our diversity in the boardroom and among the senior management team. Our current Board members are from various backgrounds and bring a valuable mixed set of skills providing a wide-ranging perspective on the issues important to our company. We anticipate future nominees will reflect the skills, experience and diversity needed to drive the business going forward. Other than for compliance with the procedures set forth in the By-Laws, there is no difference in the manner in which the Corporate Governance/Nominating Committee evaluates nominees for Director based on whether the nominee is recommended by a shareholder. At such times as may be appropriate, the Corporate Governance/Nominating Committee will lead the search for individuals qualified to become members of the Board, seeking candidates who have diversity of backgrounds, as well as experience with the ability to broaden the diversity of our Board being an advantage. The Committee has authority to engage search firms to identify candidates for nomination to the Board.

### *Legal Committee.*

The Legal Committee met nine times during 2018. The Legal Committee consists of Mr. Buchwald, who serves as Chairman, and Messrs. Blackford and Siegel. Ms. Mizel joined the Committee effective February 2019. Other than Ms. Mizel, a non-employee director, all Legal Committee members are independent members of the Board of Directors. The Legal Committee provides oversight and review of significant legal affairs of the Company, and it has been active in reviewing legal issues affecting the Company's business with the Company's counsel. The organization, functions and responsibilities of the Legal Committee are described in the committee's charter, which is posted in the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).

### *Committee Charters.*

The Board of Directors has adopted a charter for the Audit Committee, designed to comply with the applicable requirements of the NYSE listing standards and SEC regulations. The Board of Directors also has adopted charters for the Compensation Committee and the Corporate Governance/Nominating Committee, designed to comply with the applicable requirements of the NYSE listing standards, and a charter for the Legal Committee. These charters are posted under the corporate governance documents on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).



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***Corporate Governance Guidelines.***

Upon the recommendation of the Corporate Governance/Nominating Committee, the Board of Directors adopted a set of corporate governance guidelines to implement requirements of the NYSE. These guidelines, as amended, are posted under the corporate governance documents on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).

As described in the guidelines, the Compensation Committee considers management succession planning as part of its annual CEO evaluation process. The Compensation Committee then reports on succession planning to the Corporate Governance/Nominating Committee.

***Regularly Scheduled Executive Sessions of Independent Non-Management Directors.***

The Company's corporate governance guidelines provide for the independent Directors to meet at regularly scheduled executive sessions without management present. The Lead Director presides at the executive sessions. In 2018, three executive sessions were held.

***Corporate Code of Conduct.***

For many years, the Company has had in place a Corporate Code of Conduct designed to provide that all persons associated with the Company, including employees, officers and Directors, follow the Company's compliance program and legal and ethical obligations and conduct themselves accordingly. The Company's employees, officers and Directors receive annual training on the Corporate Code of Conduct. In 2018, all officers, directors and employees (other than those on leave of absence) participated in the annual training.

The Corporate Code of Conduct includes, among other things, a code of ethics for senior financial officers and Audit Committee complaint procedures, as required by the Sarbanes-Oxley Act and SEC regulations. The Corporate Code of Conduct, the code of ethics for senior financial officers and the Audit Committee complaint procedures for handling confidential complaints regarding accounting or auditing matters are posted under the corporate governance documents on the investor relations section of the Company's website, [www.mdcholdings.com](http://www.mdcholdings.com).



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***Asset Management Committee.***

The Company has in place three Asset Management Committees ("AMC") for reviewing real estate and other corporate transactions. Each real estate AMC is comprised of our Chief Operating Officer, Chief Financial Officer and one of our other corporate officers, with the corporate AMC comprised of our Chief Operating Officer and Chief Financial Officer. Each AMC generally meets weekly to review all proposed real estate transactions and other proposed non-real estate transactions at or above certain thresholds. Transactions that exceed certain thresholds also are reviewed by an executive committee of senior officers and the Board of Directors.

***Communications with the Board of Directors.***

Shareholders and other interested parties may contact the outside Directors and the Board of Directors by sending communications directly to any of the following persons:

- (1) Herbert T. Buchwald, Lead Director, P.O. Box 24649, Denver, CO 80224, Fax Number: (303) 355-2240.
- (2) Paris G. Reece III, Chairman, Audit Committee, 4350 S. Monaco Street, Denver, CO 80237, Fax Number: (303) 660-3631.
- (3) David Siegel, Chairman, Corporate Governance/Nominating Committee, 1800 Avenue of the Stars, Suite 900, Los Angeles, CA 90067-4276.

Any communications that come within the purview of a Board committee and/or the Board will be forwarded to the committee chair and the Lead Director, as applicable.

***Equity Ownership Guidelines for Non-Employee Directors.***

In order to strengthen the financial alignment of the Company's Directors with the interests of the Company's shareholders, the Corporate Governance/Nominating Committee and the Board of Directors have established Equity Ownership Guidelines for Directors who are not employees of the Company. Under these guidelines, each Director is encouraged to acquire and maintain ownership of common stock with an acquisition value, measured at the time of acquisition, of not less than ten times the then annual amount of the retainer paid for serving on the Board of Directors. The annual amount of the retainer currently is \$60,000 resulting in a current stock ownership goal of

\$600,000 for those Directors who have not previously achieved the goal. The Directors who have not yet achieved the goal have agreed to retain 100% of the shares they acquire through restricted stock awards and the future exercise of stock options, net of taxes and any option exercise price, up to the number of shares necessary to achieve the goal. All Directors are in compliance with the Guidelines. Three of the eight Non-Employee Directors have attained the stock ownership goal.

Table of Contents**BENEFICIAL OWNERSHIP OF COMMON STOCK****Ownership of Directors and Officers**

Certain information, as of March 1, 2019, the Record Date, with respect to common stock beneficially owned by the Company's named executive officers, the nominees for election as Directors and the current Directors of the Company, furnished in part by each such person, appears below (unless stated otherwise, the named beneficial owner possesses the sole voting and investment power with respect to such shares). None of the shares beneficially owned by the executive officers and Directors have been pledged as security.

| Name of Executive Officer/Director                                   | Number of<br>Shares of                             | Percent                  |
|--|--|--------------------------|
|  | Common<br>Stock Owned<br>Beneficially <sup>1</sup> | of Class<br><sup>2</sup> |
| Raymond T. Baker   | 159,619  | *                        |
| Michael A. Berman  | 62,632   | *                        |
| David E. Blackford   | 17,569   | *                        |
| Herbert T. Buchwald  | 86,602   | *                        |
| Leslie B. Fox  | 5,466  | *                        |
| David D. Mandarich   | 6,064,659  | 9.5 %                    |
| Robert N. Martin   | 99,627   | *                        |
| Larry A. Mizel   | 10,348,866 <sup>3</sup>                            | 16.3 %                   |
| Courtney L. Mizel  | 11,948   | *                        |
| Paris G. Reece III   | 107,467 <sup>3</sup>                               | *                        |
| David Siegel   | 224,480 <sup>3</sup>                               | *                        |
| Michael Touff  | 301,486  | *                        |
| All current executive officers and Directors as a group (12 persons) | 17,490,421   | 26.3 %                   |

\* Represents less than one percent of the shares of common stock outstanding and entitled to vote.

<sup>1</sup> Includes, where applicable, shares of common stock owned by related individuals or entities over whose shares such person may be deemed to have beneficial ownership. Also includes the following shares of common stock subject to

options that are exercisable or become exercisable within 60 days of the Record Date at prices ranging from \$17.10 to \$32.37 per share: Raymond T. Baker 149,472; Michael A. Berman 39,247; Herbert T. Buchwald 61,236; David D. Mandarich 2,202,976; Robert N. Martin, 47,456; Larry A. Mizel 2,277,976; Paris G. Reece III 91,854; David Siegel 214,326; and Michael Touff 128,595. As a group, the executive officers and Directors had the right to acquire within 60 days of the Record Date by the exercise of options an aggregate of 5,213,138 shares of common stock.

<sup>2</sup> The percentage shown is based on the number of shares of common stock outstanding and entitled to vote as of the Record Date. All shares of common stock that the person or group had the right to acquire within 60 days of the Record Date are deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by any other person or group.

<sup>3</sup> Mr. Mizel has sole voting power and sole investment power over 2,417,377 shares and shared voting power and shared investment power over 7,931,489 shares. Mr. Reece has sole voting power and sole investment power over 5,466 shares and shared voting power and shared investment power over 10,147 shares. Mr. Siegel has sole voting power and sole investment power over 5,466 shares and shared voting power and shared investment power over 4,688 shares.



Table of Contents**Ownership of Certain Beneficial Owners**

The table below sets forth information with respect to those persons (other than the officers/Directors listed above) known to the Company, as of the Record Date, to have owned beneficially 5% or more of the outstanding shares of common stock. The information as to beneficial ownership is based upon statements filed by such persons with the SEC under Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended.

| <b>Name and Address of Beneficial Owner</b>  | <b>Number of<br/>Shares of<br/>Common<br/>Stock<br/>Owned<br/>Beneficially<sup>5</sup></b> | <b>Percent<br/>of Class<sup>1</sup></b> |
|--|--|---|
| BlackRock, Inc.<br>55 East 52 <sup>nd</sup> Street<br>New York, NY 10055<br>The Vanguard Group | 8,200,281 <sup>2</sup>   | 13.4 %                                  |
| 100 Vanguard Blvd.<br>Malvern, PA 19355<br>Dimensional Fund Advisors LP                        | 5,173,799 <sup>3</sup>   | 8.4 %                                   |
| 6300 Bee Cave Road<br>Austin, TX 78746   | 5,142,200 <sup>4</sup>   | 8.4 %                                   |

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<sup>1</sup> The percentage shown is based on the number of shares outstanding and entitled to vote as of the Record Date.

<sup>2</sup> Schedule 13G/A filed with the SEC on January 29, 2019 disclosed that: BlackRock, Inc. has sole voting power over 7,950,951 shares <sup>5</sup>, shared voting power over no shares, sole dispositive power over 8,200,281 shares <sup>5</sup> and shared dispositive power over no shares.

<sup>3</sup> Schedule 13G/A filed with the SEC on February 11, 2019 disclosed that: The Vanguard Group has sole voting power over 50,062 shares <sup>5</sup>, shared voting power over 6,111 shares <sup>5</sup>, sole dispositive power over 5,123,994 shares <sup>5</sup> and shared dispositive power over 49,805 shares <sup>5</sup>.

<sup>4</sup> Schedule 13G/A filed with the SEC on February 8, 2019 disclosed that: the Dimensional Fund Advisors LP has sole voting power over 4,943,031 shares <sup>5</sup>, shared voting power over no shares, sole dispositive power over 5,142,200 shares <sup>5</sup> and shared dispositive power over no shares. Dimensional Fund Advisors LP and/or its subsidiaries disclaim beneficial ownership.

<sup>5</sup> On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, *Earnings per Share*, share amounts have been restated for any periods or dates prior to the stock dividend record date.

Table of Contents**EXECUTIVE OFFICERS**

Set forth below are the names and offices held by the executive officers of the Company as of the Record Date. The Board of Directors, after reviewing the functions performed by the Company's officers, has determined that, for purposes of Item 401 of SEC Regulation S-K, only these officers are deemed to be executive officers of the Company.

The executive officers of the Company hold office until their successors are duly elected and qualified or until their resignation, retirement, death or removal from office. Biographical information on Messrs. Mizel and Mandarich, who serve as Directors and executive officers of the Company, is set forth under "Election of Directors" above. Biographical information for Messrs. Martin and Touff is set forth below.

| <b>Name</b>        | <b>Age</b> | <b>Offices Held</b>   |
|--------------------|------------|---|
| Larry A. Mizel     | 76         | Chairman of the Board of Directors and Chief Executive Officer                  |
| David D. Mandarich | 71         | President, Chief Operating Officer and a Director                               |
| Robert N. Martin   | 40         | Senior Vice President, Chief Financial Officer and Principal Accounting Officer |
| Michael Touff      | 74         | Senior Vice President and General Counsel                                       |

*Robert N. Martin* was appointed Senior Vice President, Chief Financial Officer and Principal Accounting Officer effective as of May 23, 2015. He joined the Company in 2002, and has since held a number of leadership roles within the Company. He previously served as Vice President – Finance and Business Development. In April 2013, he was promoted to the position of Vice President of Finance and Corporate Controller. Over the last five years, Mr. Martin has had direct oversight of the Company's division and corporate accounting, tax, treasury, investor relations, information technology and finance, planning and analysis functions. Additionally, he has served on all three AMCs and has performed a key role in the Company's capital markets activities. He is an officer, director or both of many of the Company's subsidiaries. Mr. Martin received a bachelor's degree in Accounting and Computer Applications from the University of Notre Dame and is both a Certified Public Accountant and a CFA charterholder.

*Michael Touff* was appointed Senior Vice President and General Counsel of the Company in July 1999, having been appointed previously as Vice President and General Counsel in December 1994. From August 1992 through December 1994, he was an officer in the law firm of Ireland, Stapleton, Pryor & Pascoe, P.C. Prior to August 1992, Mr. Touff was an officer in the law firm of Holmes & Starr, a Professional Corporation. Mr. Touff also is an officer, director or both of several of the Company's subsidiaries. Mr. Touff is a graduate of Harvard University and received his J.D. degree from the University of Michigan Law School.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis (this “CD&A”) discusses the compensation of our Named Executive Officers (“NEOs”) for fiscal year 2018. The CD&A is organized as follows:

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**Executive Summary**

In 2018, our NEOs were as follows:

**Named Executive Officers**

Larry A. Mizel Chairman and Chief Executive Officer (“CEO”)  
David D. Mandarich President and Chief Operating Officer (“COO”)  
Robert N. Martin Senior Vice President, Chief Financial Officer (“CFO”)  
Michael Touff Senior Vice President and General Counsel (“CLO”)

***Over 40 Years of Shareholder Value Creation***

Our Company is one of the leading homebuilders in the United States. Founded in 1972, we have sold over 200,000 new, quality Richmond American homes to homebuyers across the nation.

Our business consists of two primary operations: homebuilding and financial services. The homebuilding operation is comprised of wholly owned subsidiary companies that primarily construct and market single-family detached houses to first-time and first-time move-up homebuyers under the name “Richmond American Homes.” Our financial services operations support our homebuilding business.

We strive to generate sustainable long-term value for our shareholders, focusing on our core strength: designing, building and selling quality homes. Homebuilding is a cyclical, often unpredictable, industry. Our business strategy is distinctive among the publicly traded US homebuilders, maximizing risk-adjusted returns while minimizing the risks of excess leverage and land ownership – a strategy designed to outperform over the years.

***HOW MDC IS DIFFERENT***

***WHY IT MATTERS***

Company philosophy emphasizes risk management and financial stability while striving to achieve long-term shareholder value

**Risk-Adjusted Strategy**

Controlled 3.7 years of inventory (ranked #1) vs 5.4 years average for peer group

“Build-to-order” policy limits risk vs.  
speculative building of unsold homes by  
peer group

**Credit Ratings Among the Highest in the  
Industry**

Moody's: Ba2 / S&P: BB+ / Fitch: BBB-

Commitment to maintaining a strong financial profile (1) safeguards  
against inevitable market downturns and (2) provides capital resources  
for opportunistic investments

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Our strategy has been successful, generating superior returns over time: we are the only publicly traded homebuilder to have maintained both a consistent dividend and robust cash position over the last twenty years, including the recent 2007-2010 housing crisis. As a result of our long-term discipline and conservative asset management, we endured the financial and housing downturn better than virtually all of our peers with a balance sheet that reflected a strong credit profile, long-term maturity duration of debt, top quartile ratings and abundant liquidity. We continue to adhere closely to these principles.

The financial stability resulting from our operating strategy has enabled us to reward our shareholders with a consistent dividend program unmatched in the homebuilding industry.

**HOW MDC IS DIFFERENT**

**Industry-Leading Dividend (Ranked #1)**

Current yield of 3.8% vs. 0.5% average for peer group\*

Uninterrupted cash dividend since 1994 – *unequaled by any member of the peer group*

In the past ten years, Company has paid over \$500 million in dividends to shareholders

Increased annual dividend by 30% in 2018

Declared 8% stock dividend in the first quarter of 2019

**WHY IT MATTERS**

Shows long-term commitment and ability to provide a reliable source of return for our shareholders

\* As of 2/28/2019

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***Business Performance Overview***

Our founder and CEO, Larry A. Mizel, joined by COO, David D. Mandarich, have guided the Company for over 46 years and 41 years, respectively. They are among the most experienced and highly respected executives currently serving in the U.S. homebuilding industry.

***HOW MDC IS DIFFERENT***

**Leadership by Two of the Industry's Senior Veterans**

CEO/COO with over 87 years of combined experience at MDC (ranked #1) vs. 40-year average for peer group

***WHY IT MATTERS***

Decades of experience has created extraordinary long-term shareholder value by successfully navigating through multiple economic cycles

**Industry-Leading Management Ownership**

CEO/COO beneficial ownership of 25% (ranked #1) of MDC shares vs. 5% average for peer group

Significant alignment of management's interests with the shareholders

As a result of their leadership and resolve to enhance shareholder value, while mitigating risk and maintaining the financial integrity of the Company, we have experienced seven years of steady and improving financial results following the severe homebuilding industry downturn.

We maintain a long-term focus and approach:

**Consistent Industry Leading Dividends.** Paid over \$67 million in cash dividends in 2018, extending our track record of reliable capital return to our shareholders to almost 25 years and increasing our annual dividend by 30% to \$1.20 in 2018. We also declared an 8% stock dividend in the 2019 first quarter.

**Continued Improvement to Balance Sheet and Liquidity.** We expanded the capacity under our unsecured line of credit from \$700 million to \$1.0 billion and extended its maturity to December 2023, increasing our liquidity to nearly \$1.48 billion at the end of 2018, an increase of 18% over the prior year.

**Increased Gross Margin from Homes Sales.** Improved gross margins from home sales 170 basis points from 16.6% to 18.3%, with new home deliveries increasing by 12% and net new home orders increasing 3% in 2018.



**Total Shareholder Return.** Our one-year total shareholder return was the best of our peer group by a wide margin, outperforming our peer group average by over 3,000 bps while our five year total shareholder return improved from 14.2% in 2017 to 19.5% in 2018 compared to a peer group average five year total shareholder return of 4.6% in 2018.

**Strong Financial Results – Top and Bottom Line**

- o Home sale revenues of \$2.98 billion, up 19% year-over-year
- o Pre-tax income of \$263.9 million, up 15% year-over-year
- o Return on equity (pre-tax) of 17.7%, up 80 bps from 16.9%

***Executive Compensation Program Structure: Aligning Pay with Performance***

Our compensation program is designed to align executive pay with the drivers of long-term value creation and reward execution of our strategic program.

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The annual incentive and long-term compensation programs for our CEO and COO are primarily performance-based utilizing our annual and long term business goals and predetermined challenging metrics tied to the drivers of our long-term shareholder value. The following table outlines our executive compensation program structure in 2018.

**2018 Pay Performance Metrics and Outcomes Summarized***2018 Annual Incentive Program – Bonus Determination for CEO & COO***2018 Short-Term Incentive Program***% Change from Prior Year in Parenthesis*

| <b>Performance Goal</b>   | <b>Actual Performance</b>     | <b>Performance Required at Target</b> | <b>Bonus Earned</b> |
|---|-------------------------------|---------------------------------------|---------------------|
| Adjusted Pre-Tax Return* on Equity  | 6.0% hurdle achieved at 20.8% |                                       | \$1,200,000         |
| <i>Additional Bonus Opportunity</i>   |                               |                                       |                     |
| Home sale revenues  | \$2,982 million (+19%)        | \$2,786 million                       | \$1,300,000         |
| Net new orders  | 5,974 homes (+3%)             | 6,584 homes                           | \$903,000           |
| Adjusted pre-tax EPS*   | \$5.12 (+19%)                 | \$3.81                                | \$1,300,000         |
| Adjusted EBITDA**   | \$394.9 million (+12%)        | \$330.0 million                       | \$1,500,000         |
| <b>Total Additional Bonus</b>   |                               |                                       | <b>\$5,003,000</b>  |
| <b>Total Incentive Bonus (Lesser of \$6 million or the calculated amount)</b> |                               |                                       | <b>\$6,000,000</b>  |

\* Each of these performance metrics include adjusted pre-tax income, which is a non-GAAP financial measure. Adjusted pre-tax income is calculated by taking pre-tax income and adjusting to exclude unrealized gains or losses on investments, expenses derived from impairments, executive stock-based compensation expense above a budgeted amount, warranty reserve adjustments, and non-recurring or out-of-period charges.

\*\* Adjusted EBITDA is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation, amortization, unrealized gains or losses on investments and other non-cash charges derived from impairments, stock-based compensation expense, abandoned project costs, warranty reserve adjustments, and non-recurring or out-of-period charges.

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### *2018 Long-Term Incentive Program*

The long-term incentive program in 2018 includes metrics that measure the Company's long-term value drivers related to the Company's core business. The majority of the program is performance-based and designed to retain, motivate and reward our executive officers for achieving our strategic and financial long-term objectives through the use of performance share units that vest three years from the date of grant provided specific performance targets are achieved.

Additionally, our long-term incentive program in 2018 includes the use of stock options. During 2018, stock options covering 216,000 shares <sup>1</sup> were granted to both the CEO and COO that vest annually over three years subsequent to the grant date. These stock options represented approximately 30% of overall long-term incentive grants to the CEO and COO during 2018 (based on the grant date fair value of the awards), whereas the above-referenced performance share grants represented the remaining 70%.

*<sup>1</sup> On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, Earnings per Share, share amounts have been restated for any periods or dates prior to the stock dividend record date.*

### ***Compensation Governance Best Practices***

In order to continue to provide long-term value to our shareholders, our Compensation Committee is committed to maintaining independent and thorough oversight of our executive compensation program and the following governance best practices are key to achieving this goal.

#### **Compensation Governance Best Practices**

- Executive compensation program design and refinements incorporate shareholder feedback
- Significant CEO pay is performance based and at risk
- Compensation Committee sets rigorous targets and metrics
- Compensation Committee performs thorough assessment of Company and individual performance
- 100% of Compensation Committee is independent
- Compensation Committee works with an independent compensation consultant
- Executives are subject to significant stock ownership guidelines
- Company maintains policies prohibiting hedging Company stock
- Clawback policy authorizes Company to recover compensation under certain circumstances
- Vesting of cash remuneration under CEO and COO employment agreements is subject to double trigger change-in-control provisions

***2018 Say-on-Pay Vote***

Our Compensation Committee is committed to improving our executive compensation programs and modifying them as necessary to maintain the alignment of our executives and shareholders. We continue to engage investors on executive compensation topics and will continue to seek their feedback. We received a positive vote at the 2018 annual shareholders meeting, where our say-on-pay proposal received 93.1% support. Despite this overwhelming support, we have actively engaged with shareholders representing over 45% of our outstanding shares following the 2018 annual meeting. These conversations and feedback greatly help inform our Board of Directors' decision-making process with respect to our compensation and governance practices.

Table of Contents**Executive Compensation Program: Plan Design & Components*****Key Goals and Objectives***

The Compensation Committee aims to design a compensation program that rewards and retains talented executives while motivating them to drive short- and long-term performance. We believe that our ability to retain and motivate our executive officers with their exceptional skills, experience and capacity to succeed in our competitive industry has been essential to the success of our Company and a significant factor in creating long-term value for our shareholders.

Our compensation program reflects the above philosophy and, additionally, prioritizes the following:

- Attracting and retaining talented executives and encouraging their long-term service and loyalty
- Supporting our long-term business goals and driving performance by closely aligning our compensation metrics and goals with our long-term growth strategy
- Maintaining a firm link between our executives' and shareholders' long-term interests
- Prioritizing growth, risk management and financial stability
- Reflecting shareholder feedback in the compensation program design and related considerations, through regular, ongoing shareholder engagement

***Components of Executive Compensation***

The Compensation Committee designed our compensation program to support the drivers of value and shareholder return over the long term. It is comprised of three primary elements: (i) base salary, (ii) annual incentive award; and (iii) long-term incentive award.

| <b>Compensation Component</b> | <b>Description</b>   | <b>Purpose</b>   | <b>Key Characteristic</b> |
|-------------------------------|--|--|---------------------------|
| <b>Base Salary</b>            | Cash compensation based on executive officer's role and employment agreement, if any. Salary levels are evaluated annually and may be adjusted for length of service, competitive considerations or recognition of a change in responsibilities. | Provide financial certainty and stability<br><br>Attract and retain executive talent | Fixed                     |

|                        |   |   |   |          |
|------------------------|---|---|---|----------|
| <b>Annual</b>          | Each year the Compensation Committee approves awards for the CEO and COO, and establishes Key Performance Indicators (“KPIs”) for the CFO and CLO.                                      | Recognize experience, length of service, competitive market conditions and individual performance | Motivate executive officer to achieve key annual goals and position the Company for long-term success | Variable |
| <b>Incentive Award</b> | The Compensation Committee determines the extent to which an award is earned and the amount of such award is based on individual and Company performance against pre-established goals. | Reward executive officer for individual performance and overall Company performance               | Provide an incentive for executive officers to achieve long-term                                      | Variable |
| <b>Long-Term</b>       | Each executive officer is eligible to receive an award at the discretion of the Compensation Committee based upon long-term performance potential.                                      | sustainable success for the Company and to promote shareholder value                              | Attract, motivate, reward and retain executive talent   | Variable |
| <b>Incentive Award</b> |   |   |   |          |

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The net effect of our pay design is that both for the CEO and the other NEOs, a large majority of total direct compensation is at-risk, and dependent on Company, individual, or stock performance.

***Fixed Compensation***

Base Salary

The Compensation Committee sets executive officer base salaries at a level that reflects the competitive market for these roles as well as each individual's performance, skills and experience. In 2018, the Compensation Committee determined to maintain CEO and COO base salaries unchanged from their 2017 levels, meaning CEO and COO base salary have remained unchanged for over a decade. In light of exceptional performance and to ensure alignment with peer group levels, the Compensation Committee approved a \$60,000/year increase to the CFO's base salary. The CLO's base salary remained unchanged from 2017.

***Variable and Performance-Based Compensation***

2018 Chief Executive Officer and Chief Operating Officer Annual Incentive Bonus

Our annual incentive compensation program is designed to retain, motivate and reward the CEO and COO for their respective contributions in achieving the Company's annual financial goals by focusing their attention on the following key economic drivers: return on equity, home sale revenues, pre-tax earnings per share, net new orders and EBITDA. Significant year-over-year performance is essential to our short-term financial results and, ultimately, our long-term success.

*Annual Bonus Calculation Formula: Links to Key Metrics*

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The 2018 performance goal included a condition precedent for any bonus earned by requiring a minimum consolidated adjusted pre-tax return on beginning equity to exceed 6.0% (the “ROE Condition”). The actual adjusted pre-tax ROE was 20.8%, satisfying the ROE Condition, and as such, the CEO and COO earned a \$1.2 million bonus.

Once the ROE Condition was met, the CEO and COO each had the opportunity to earn additional bonuses (the “Additional Bonus Opportunity”) as described below.

*Outcomes Reflect Alignment with Performance*

Based in part on shareholder feedback, the Additional Bonus Opportunity for the CEO and COO for 2018 was based on four distinct sets of financial goals, as set forth below. The Committee believes that achievement of these goals, in concert, is important for long term shareholder value creation.

The targets set forth below represent a required improvement over 2017 performance.

|                           | Bonus       | Goal       |                             | Bonus       | Goal   |
|---------------------------|-------------|------------|-----------------------------|-------------|--------|
|                           | (thousands) | (billions) | <b>Adjusted Pre-Tax EPS</b> | (thousands) |        |
| <b>Home Sale Revenues</b> |             |            |                             |             |        |
| Target                    | \$ 1,300    | \$ 2.786   | Target                      | \$ 1,300    | \$3.81 |
| Threshold                 | \$ 800      | \$ 2.505   | Threshold                   | \$ 800      | \$3.36 |

|                       | Bonus       | Goal    |                        | Bonus       | Goal             |
|-----------------------|-------------|---------|------------------------|-------------|------------------|
|                       | (thousands) | (homes) | <b>Adjusted EBITDA</b> | (thousands) | (\$ in millions) |
| <b>Net New Orders</b> |             |         |                        |             |                  |
| Target                | \$ 1,300    | 6,584   | Target                 | \$ 1,500    | \$ 330           |
| Threshold             | \$ 800      | 5,816   | Threshold              | \$ 1,000    | \$ 297           |

The appropriateness of the categories selected for 2018, along with target and threshold goal amounts, were carefully considered by the Compensation Committee given the Company’s emphasis on prioritizing growth, risk management, financial stability and pursuit of long-term value. Specifically, with respect to the Home Sale Revenues, Adjusted



Pre-Tax Diluted EPS, Net New Orders and EBITDA goals, the minimum performance criteria was established based on the prior year actual performance with target levels based on the 2018 Business Plan. The target goals represent a required improvement over 2017 actual performance. Bonuses earned for each metric were adjusted on a pro-rata basis if actual results were between Threshold and Target.

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The 2018 Business Plan was developed by the CEO, COO and CFO from the “ground up” utilizing (i) forecasts submitted by the presidents for each of the Company’s homebuilding divisions detailing their operational projections for each of their divisions’ communities, (ii) the forecast submitted for the mortgage company by its president; and (iii) forecasts from the CFO regarding the insurance companies, any other income producing divisions of the Company, and all the corporate general and administrative departments. The 2018 Business Plan was reviewed by the Board. The process of developing the business plan incorporates a disciplined evaluation of risks identified by management and the Board to establish a reasonable range of potential performance goals for the year including general economic conditions, fluctuations in interest rates, variations in projected mortgage lending programs, the availability and cost of capital, the availability and acquisition cost of land, materials and contractors in the homebuilding operations, potential for shortages and the increased cost of labor, and increased governmental regulation, including the adverse interpretation of tax, labor and environmental laws.

Target performance goals were established to reflect outstanding performance in light of the risks and market conditions anticipated for 2018.

Based on the achievements in these categories, both the CEO and COO earned an additional bonus of \$5.0 million related to the Additional Bonus Opportunity as shown below.

**2018 Short-Term Incentive Program**

| <b>Performance Goal</b> | <b>Actual Performance</b> | <b>Performance Required at Target</b> | <b>Bonus Earned</b> |
|-------------------------|---------------------------|---------------------------------------|---------------------|
| Home sale revenues      | \$2,982 million           | \$2,786 million                       | \$1,300,000         |
| Net new orders          | 5,974 homes               | 6,584 homes                           | \$903,000           |
| Adjusted Pre-tax EPS    | \$5.12                    | \$3.81                                | \$1,300,000         |
| Adjusted EBITDA         | \$394.9 million           | \$330.0 million                       | \$1,500,000         |

*Bonus Payment Cap*

The 2018 annual incentive bonus (the ROE Condition Bonus plus the Additional Bonus Opportunity) was subject to a \$6.0 million cap (the “Bonus Cap”) established by the Compensation Committee based on guidance from its Compensation Consultant taking into account each executive’s historic compensation, reference to executive compensation being awarded to the Company’s peer group and feedback from its shareholders.

In addition, any bonus earned in excess of \$5.0 million would be paid in restricted stock shares vesting in equal amounts on the first, second and third anniversaries of the date of grant. The Compensation Committee believes that remuneration of a portion of the bonus in form of restricted stock serves as a retention tool and reflects the alignment of interests between the CEO/COO and other shareholders.



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2018 CFO and General Counsel Annual Incentive Bonus

The CFO and CLO positions are primarily responsible for accounting, finance, legal and regulatory compliance and, in the judgment of the Compensation Committee, their incentive compensation should not directly depend on the Company's financial performance. Instead, the CLO and the CFO were awarded a bonus opportunity measured by specific Key Performance Indicators ("KPIs") established by the Compensation Committee, their attainment and a bonus payment commensurate with a percentage of their base pay. The Compensation Committee consults with the CEO and COO with regard to their achievements. For 2018, the Compensation Committee established the following KPIs:

Chief Financial Officer

- Shareholder relations management and oversight
- Timely and accurate handling of financial regulatory filings
- Oversight of accounting, finance, information technology and treasury functions, including capital markets and bank financing transactions, if applicable
- Successful completion of special projects

General Counsel

- Litigation management
- Regulatory compliance
- Successful completion of special projects
- Oversight of risk management

The KPIs were weighted equally, with bonus amounts based on the level of the performance they achieved:

- A target bonus of 100% of base salary if the Compensation Committee determined that each KPI was achieved.
- A maximum bonus of 200% of base salary if the Compensation Committee determined that each KPI has been exceeded at a level doubling the targeted performance.
- Proportionate bonus levels as a percentage of base salary to the extent some KPIs were partially achieved or exceeded.

Based on its evaluation of performance relative to the established KPIs, the Compensation Committee awarded Mr. Martin and Mr. Touff 2018 annual incentive bonuses of \$1,025,000 and \$575,000, respectively. Mr. Martin's incentive bonus is comprised of \$750,000 payable in cash and \$275,000 in restricted stock shares. Mr. Touff's incentive bonus is comprised of \$500,000 payable in cash and \$75,000 in restricted stock shares. The restricted stock shares vest in equal amounts on the first, second and third anniversaries of the date of grant.



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Long-Term Incentive Compensation

For our CEO and COO, the 2018 long-term equity grants were delivered approximately 70% in performance stock units and 30% in stock options (based on the grant date fair value of the awards), while the CFO grant was entirely in performance stock units. Our long-term incentive program is heavily weighted in performance stock units in order to objectively align the incentives of the Company's management team with the interests of our shareholders.

*Performance Stock Units (PSUs): Metrics*

Executives will have their PSU awards vest if they meet the challenging financial and operating goals which have been established to improve our long-term performance.

**Long-Term Incentive Metrics  
Metric**

Home Sale Revenues

Minimum Gross Margin from Home Sales Before Impairments Threshold

**Link to Value Drivers**

Home sale revenues are an industry standard directly linked to the Company's financial stability and revenue growth

Gross margin is an industry standard that investors use to gauge the strength of our business as a measure that costs are being managed effectively

*2018 Long-Term Incentive Compensation Awards*

The awards will vest based on increasing average home sale revenues over a three-year performance period compared to home sale revenues over a base period, while maintaining a minimum average gross margin from home sales (excluding impairments) of at least fifteen percent (15%).

Table of Contents*2018 Long-Term Incentive Compensation Target-Setting Process*

The Compensation Committee set clear, ambitious, long-term revenue growth targets over a three-year period. In determining the appropriate targets, the Compensation Committee considered the Company's long term strategic plan, historic performance, peer group performance, anticipated broader business, market conditions and the Company's current backlog.

The Target Goal established for each award was based on the Company achieving a three-year average Revenue over the period commencing April 1, 2018 and ending March 31, 2021 (the "Performance Period") that was at least 10% but less than 20% greater than the Revenue over the period commencing April 1, 2017 and ending March 31, 2018 (the "Base Period"). The Threshold Goal was based on three-year average Revenue over the Performance Period that was at least 5% but less than 10% greater than Revenue over the Base Period. The Maximum Goal was based on three-year average Revenue over the Performance Period that was at least 20% greater than Revenue over the Base Period. The number of PSUs earned shall be adjusted to be proportional to the partial performance between the Threshold Goals, Target Goals and Maximum Goals.

**2018 Long-Term Incentive Program****Performance Metric**

|  | <b>Base</b>   | <b>Threshold</b> | <b>Target</b> | <b>Maximum</b> |
|--|---|------------------|---------------|----------------|
| Gross Margin from Home Sales (Excluding Impairments) | <i>15% Average Gross Margin from Home Sales requirement</i> |                  |               |                |
| Home Sale Revenues (in billions)                     | \$2.54  | \$2.67*          | \$2.80*       | \$3.05*        |

\* *Average over Performance Period*

Upon the Company satisfying the gross margin from home sales (excluding impairments) precondition, the following shares of Company stock would vest depending on the Revenue performance relative to Base Period achieved:

| <b>Executive Target</b> <sup>1</sup> | <b>Threshold</b> | <b>Maximum</b> |
|--------------------------------------|------------------|----------------|
| CEO/COO 129,600 shares               | 50% of Target    | 200% of Target |
| CFO 32,400 shares                    | 50% of Target    | 200% of Target |

<sup>1</sup> *On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, Earnings per Share, share amounts have been restated for any periods or dates prior to the stock dividend record date.*

***Peer Data and Benchmarking to the Market***

The Compensation Committee utilized peer data as a reference when it considered the incentives and compensation plan design. It was not employed for benchmarking purposes. Rather, the peer group information was considered for broad subjective comparisons and not as an objective metric.

**Homebuilder Peer Group Companies (the “Peer Group”)**

|                            |                                     |                  |
|----------------------------|-------------------------------------|------------------|
| Lennar Corporation         | D.R. Horton, Inc.                   |                  |
| Toll Brothers, Inc.        | Hovnanian Enterprises, Inc. KB Home |                  |
| M/I Homes Inc.             | NVR, Inc.                           | PulteGroup, Inc. |
| Meritage Homes Corporation | Beazer Homes USA, Inc.              |                  |

The Compensation Committee chose these companies for their parallels to MDC's core business and markets, recognizing that their corporate structure, business strategies and risk profile may significantly vary from those of our Company. For example, significant differences include (1) MDC's exceptional strategic focus on risk management, including its land-light operating model and conservative utilization of leverage, (2) senior management's high percentage of stock ownership – they beneficially own approximately 25% of the Company's outstanding stock, the highest among the Peer Group and (3) the Company's annual dividend yielding approximately 3.8%, far exceeding the closest Peer Group member. Nevertheless, the Committee believes that the companies in the Peer Group were appropriate for reference purposes since they compete for the same executive talent, as well as competing in core areas of business such as land acquisitions and sales.

The Compensation Committee refers to the Peer Group not only for compensation purposes, but also for business model and risk evaluation purposes, as discussed in more detail, below.



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***Role of Compensation Committee and Management***

The Compensation Committee conducted a series of meetings beginning in October 2018 and continuing into February 2019, at which time the Compensation Committee developed its determinations regarding 2018 executive officer compensation. The following table summarizes the roles of the Compensation Committee, the Consultant and management in formulating their decisions on executive officer compensation:

**Responsible Party**

**Roles and Responsibilities**

Oversees all executive officer compensation levels, including benefits, having a goal to maintain compensation levels that are comparable to the marketplace and in conformity with shareholder interests.

Administers the Company's current equity and other compensation plans and any additional plans adopted by the Company.

**Compensation Committee of the Board of Directors**

Reviews and approves corporate goals and objectives relevant to CEO compensation.

Evaluates the CEO's performance in light of set goals and objectives, and determines and approves the CEO's compensation level based on this evaluation.

Has authority to determine and approve non-CEO compensation.

Makes recommendations to the Board with respect to incentive-compensation plans and equity-based plans.

Develops a compensation committee report on executive compensation as required by the SEC to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.

Provides advice and guidance on the appropriateness and competitiveness of our compensation programs relative to Company performance and market practice.

*The Compensation Committee currently is comprised of Independent Directors and reports to the Board.*

**Consultant to the Compensation Committee**

Performs all functions at the direction of the Compensation Committee

Attends Compensation Committee meetings (including executive sessions, as required).

*WealthPoint, LLC, as an independent Consultant, retained directly by the Compensation Committee, that provides consulting advice on matters of governance and executive compensation.*

Provides advice and guidance regarding governance issues bearing on the executive compensation determinations.

Provides market data, as requested.

Consults on various compensation matters and compensation program designs and practices.

Conducts an assessment of the risks arising from our compensation programs.

Confers with the CEO on behalf of the Compensation Committee concerning compensation, incentives and goals for other NEOs.

Assists in selection of the Company's peers.

Review performance of the CFO and CLO and makes recommendations to the Compensation Committee with respect to their compensation.

## **Chairman and CEO**

*With the support of other members of the management team.*

Confer with the Compensation Committee concerning design and development of compensation and benefit plans for Company employees.

## ***Role of the Independent Compensation Consultant***

The Compensation Committee has the authority to retain outside counsel, consultants and other advisors to assist it in evaluating compensation or in otherwise discharging its duties and responsibilities. After consideration of independence factors as required by the NYSE, the Compensation Committee previously engaged Compensation & Benefit Solutions, LLC to advise the Compensation Committee regarding the structuring of executive compensation for 2018. The Compensation Committee engaged WealthPoint, LLC to advise the Committee in connection with year-end 2018 compensation determinations, the structuring of executive compensation for 2019 and the compensation disclosures to be included in this proxy statement. These consultants also assisted the Compensation Committee in determining appropriate peers for purposes of comparing (but not benchmarking) market compensation, and provided other related services.

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The consultants have not provided any services to the Company other than the services provided to the Compensation Committee. After considering, among other matters, the absence of any business or personal relationship between the consultants and any member of the Compensation Committee or any executive officer of the Company, the Compensation Committee has concluded the consultants' services do not raise any conflicts of interest.

**Other Compensation Considerations**

*Stock Ownership Guidelines*

The Company's executive officers as a group have historically maintained a high percentage of ownership of Company stock, especially when compared against other companies in the homebuilding industry. For example, Messrs. Mizel, Mandarich, Martin and Touff beneficially own shares totaling approximately 25% of the Company's shares. See Beneficial Ownership of Common Stock – Ownership of Directors and Officers, above.

Nonetheless, in response to feedback received from the investor community, the Company has adopted formal equity ownership guidelines for the executive officers in order to expressly promote their continued short and long term financial alignment with the interests of the shareholders of the Company. Under the guidelines, each executive officer is encouraged to acquire and maintain ownership of common stock of the Company having an acquisition value of not less than the following multiple of the executive officer's base annual salary:

**Executive Officer Multiple**

|            |    |
|------------|----|
| CEO        | 5X |
| COO        | 5X |
| All Others | 1X |

To expedite achievement of the goal set forth above, each executive officer who has not yet achieved the goal agrees to retain the shares they acquire through restricted stock awards and the future exercise of employee stock options, net of taxes and any option exercise price, up to the number of shares necessary to achieve the goal. Messrs. Mizel, Mandarich, Martin and Touff have all achieved and maintain the stock ownership goal.

*Anti-Hedging and Anti-Pledging Policies*

Our Directors and executive officers are prohibited from acquiring an interest in financial instruments intended to hedge or offset any decrease in the market value of the Company's stock held directly or indirectly by that person. They also are required to inform the Company's compliance committee and obtain pre-clearance prior to purchasing Company stock on margin, margining Company stock or pledging Company stock as collateral for a loan.

*Clawback Policy*

In January 2015, based in part on shareholder feedback, the Corporate Governance/Nominating Committee approved a "Clawback" Policy. The Company's Clawback Policy authorizes the Company to recover compensation previously paid to executive officers of the Company that was based upon any metric contained in a financial statement that was filed with the U.S. Securities and Exchange Commission during the Company's then-current fiscal year or during one of the three prior fiscal years, which metric was materially restated.

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***Compensation and Risk Management***

As part of its annual risk assessment, the Compensation Committee reviews the Company's compensation policies and practices to confirm that the programs are designed in a manner that does not motivate individuals or groups to take risks reasonably likely to have a material adverse effect on the Company. Based on the Compensation Committee's annual risk assessment, the Company believes that its compensation policies and practices for its employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company, and that such policies and practices are designed with strong oversight mechanisms in place.

***Tax Considerations***

Effective for tax years beginning on January 1, 2018 or later, Internal Revenue Code Section 162(m) was amended by the Tax Cuts and Jobs Act (the "TCJA"), which was signed into law on December 22, 2017. The tax reform legislation repealed the performance-based compensation exception to the Section 162(m) \$1 million deduction limitation. The definition of a "covered employee" was revised to include the principal financial officer and any individual who held the position of either principal executive officer or principal financial officer at any time during the taxable year.

Previously, the Section 162(m) deductibility limitation was subject to an exception for compensation that qualified as "performance-based". The Company was able to deduct certain performance-based compensation in excess of \$1 million paid to our CEO and the three other most highly paid executives (excluding our CFO). Our compensation programs were designed to permit our Company to qualify for the "performance-based" exception, although the Company reserved the right to pay compensation that did not qualify as "performance-based".

The TCJA revisions included a transition rule that allows payments to be deductible based on the application of the Section 162(m) rules in effect prior to the change if the payments are made pursuant to a "written binding contract" that was in effect on November 2, 2017, and has not since been materially modified. Because the transition rule only applies to "written binding contracts," it may not apply in cases where an agreement provides that an employer retains negative discretion. Starting in 2018, all compensation paid to NEOs in excess of \$1 million will be non-deductible (except for any amounts that qualify as performance-based that have been grandfathered pursuant to the written binding contract transition rule under the TCJA).

In light of the TCJA, the Compensation Committee and the Board adopted a new 2018 Executive Officer Performance-Based Compensation Plan and is proposing to our Shareholders an amendment to the 2011 Equity Incentive Plan that, in addition to authorizing the issuance of additional shares, will reflect changes implemented by the TCJA. The Compensation Committee is continuing to assess the impact of Section 162(m), as amended, on our compensation programs.

***Medical Insurance Benefits***

Under the terms of their respective employment agreements, each of the CEO and COO is entitled to medical insurance benefits for the duration of his life (described in more detail below under “Employment Agreements”).

***Other Compensation***

In 2018 our executive officers also received compensation in the form of 401(k) employer contributions, incremental travel expenses incurred by the Company in support of not-for-profit organizations (as approved by the Board) and cell phone allowances.

The Board has determined that it is in the best interests of the Company for its CEO and its COO to use the Company's aircraft for non-Company purposes, when the aircraft is not being employed in the ordinary course of Company business. The CEO and the COO reimburse the Company for their non-Company use of the aircraft.

The objective of these benefits is to provide amenities to the CEO and COO that allow them to more efficiently utilize their time and to support them in effectively contributing to the success of the Company.

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**COMPENSATION COMMITTEE REPORT**

*The following Report of the Compensation Committee shall not be deemed to be "filed" with the SEC or to be subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. The report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except that it will be deemed "furnished" in the Company's Annual Report on Form 10-K for 2018, but shall not be deemed incorporated by reference into any filing as a result of being furnished in the Annual Report.*

The Compensation Committee hereby confirms that it has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

**COMPENSATION COMMITTEE**

Raymond T. Baker, Chairman

Herbert T. Buchwald

Table of Contents**SUMMARY COMPENSATION TABLE**

For the fiscal years ended December 31, 2018, 2017 and 2016, the following table summarizes the compensation of the Company's named executive officers.

| <b>Name and Principal Position</b>  | <b>Year</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Stock Awards (\$)<sup>1</sup></b> | <b>Option Awards (\$)<sup>2</sup></b> | <b>Non-Equity Incentive Plan Compensation(\$)<sup>3</sup></b> | <b>All Other Compensation(\$)</b> | <b>Total (\$)</b> |
|---|-------------|--------------------|-------------------|--------------------------------------|---------------------------------------|---|-----------------------------------|-------------------|
| <b>Larry A. Mizel,</b><br>Chairman and CEO  | 2018        | \$1,000,000        | N/A               | \$4,030,967                          | \$1,383,620                           | \$5,000,000   | \$190,961                         | \$11,605,548      |
|   | 2017        | \$1,000,000        | N/A               | \$4,471,044                          | N/A                                   | \$4,000,000   | \$124,414                         | \$9,595,458       |
|   | 2016        | \$1,000,000        | N/A               | \$3,106,994                          | N/A                                   | \$3,600,000   | \$81,765                          | \$7,788,759       |
| <b>David D. Mandarich,</b><br>President and Chief Operating Officer   | 2018        | \$830,000          | N/A               | \$4,030,967                          | \$1,383,620                           | \$5,000,000   | \$8,610                           | \$11,253,197      |
|   | 2017        | \$830,000          | N/A               | \$4,471,044                          | N/A                                   | \$4,000,000   | \$8,460                           | \$9,309,504       |
|   | 2016        | \$830,000          | N/A               | \$3,106,994                          | N/A                                   | \$3,600,000   | \$8,310                           | \$7,545,304       |
| <b>Robert N. Martin,</b><br>Senior Vice President, Chief Financial Officer and Principal Accounting Officer | 2018        | \$653,077          | \$750,000         | \$1,048,547                          | N/A                                   | N/A   | \$8,970                           | \$2,460,594       |
|   | 2017        | \$576,923          | \$600,000         | \$1,092,746                          | N/A                                   | N/A   | \$8,820                           | \$2,278,489       |
|   | 2016        | \$400,000          | \$500,000         | \$626,994                            | N/A                                   | N/A   | \$8,670                           | \$1,535,664       |
| <b>Michael Touff,</b><br>Senior Vice President and General Counsel  | 2018        | \$400,000          | \$500,000         | \$50,000                             | N/A                                   | N/A   | \$8,970                           | \$958,970         |
|   | 2017        | \$394,609          | \$400,000         | \$49,975                             | N/A                                   | N/A   | \$8,820                           | \$853,404         |
|   | 2016        | \$353,279          | \$400,000         | N/A                                  | N/A                                   | N/A   | \$8,670                           | \$761,949         |

<sup>1</sup>The amounts shown in the "Stock Awards" column are based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of the following:

2018

- For Messrs. Mizel, Mandarich and Martin, Performance Share Units ("PSUs") were granted to each individual on May 23, 2018. These awards are performance based, and, therefore, the amounts in the table above include \$3,314,295, \$3,314,295 and \$828,574 for Messrs. Mizel, Mandarich and Martin, respectively, reflecting the



*aggregate grant date fair value of the awards (\$25.57 per share on the date of grant) multiplied by the probable outcome of the performance conditions as of the grant date. Assuming achievement of the highest level of performance for these awards, the grant date fair value of the performance-based equity awards for Messrs. Mizel, Mandarich and Martin total \$6,628,590, \$6,628,590 and \$1,657,147, respectively.*

*- For each of Messrs. Mizel and Mandarich, this column also includes \$716,672 in Restricted Stock Awards ("RSAs") that were granted February 2, 2018 pursuant to the 2017 performance goals established under the terms of the shareholder-approved Performance-Based Plan.*

*- For Mr. Martin and Mr. Touff, this column also includes \$219,973 and \$50,000, respectively, in RSAs that were granted on February 2, 2018 based on their 2017 performance.*

## 2017

*- For Messrs. Mizel, Mandarich and Martin, Performance Share Units ("PSUs") were granted to each individual on June 20, 2017. These awards are performance based, and, therefore, the amounts in the table above include \$3,571,128, \$3,571,128 and \$892,782 for Messrs. Mizel, Mandarich and Martin, respectively, reflecting the aggregate grant date fair value of the awards (\$27.83 per share on the date of grant) multiplied by the probable outcome of the performance conditions as of the grant date. Assuming achievement of the highest level of performance for these awards, the grant date fair value of the performance-based equity awards for Messrs. Mizel, Mandarich and Martin total \$7,142,256, \$7,142,256 and \$1,785,564, respectively.*

*- For each of Messrs. Mizel and Mandarich, this column also includes \$899,990 in Restricted Stock Awards ("RSAs") that were granted February 2, 2017 pursuant to the 2016 performance goals established under the terms of the shareholder-approved Performance-Based Plan.*

*- For Mr. Martin and Mr. Touff, this column also includes \$199,982 and \$49,975, respectively, in RSAs that were granted on February 2, 2017 based on their 2016 performance.*

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- For Messrs. Mizel, Mandarich and Martin, PSUs were granted to each individual on July 25, 2016. These awards are performance based, and, therefore, the amounts in the table above include \$2,107,000, \$2,107,000 and \$527,000 for Messrs. Mizel, Mandarich and Martin, respectively, reflecting the aggregate grant date fair value (\$19.66 per share) of the awards multiplied by the probable outcome of the performance conditions as of the grant date. Assuming achievement of the highest level of performance for these awards, the grant date fair value of the performance-based equity awards for Messrs. Mizel, Mandarich and Martin total \$4,815,000, \$4,815,000 and \$1,204,000, respectively.
- For each of Messrs. Mizel and Mandarich, this column also includes \$999,994 in Restricted Stock Awards ("RSAs") that were granted February 3, 2016 pursuant to the 2015 performance goals established under the terms of the shareholder-approved Performance-Based Plan.
- For Mr. Martin, this column also includes \$99,994 in RSAs that were granted on January 25, 2016 based on his 2015 performance.

For a description of assumptions used in valuing the awards, please see Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K, for the year ended December 31, 2018.

<sup>2</sup>The amounts shown in the "Option Awards" column are based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For Messrs. Mizel and Mandarich in 2018, the option awards were service based, were assigned a fair value of \$6.41 per share on the date of grant using the Black-Scholes option pricing model and are being expensed on a straight-line basis over the three year vesting period. For a description of the assumptions used in valuing the awards, please see Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. No option awards were granted in 2017 or 2016.

<sup>3</sup>These non-equity incentive plan compensation amounts were paid in cash in accordance with the terms of the shareholder-approved Performance-Based Plan, as in effect for the year indicated, as compensation for that year's performance. The amounts were paid in the subsequent year.

**All Other Compensation**

The table below provides a breakdown of all other compensation for 2018 for the named executive officers:

| <b>Name</b> | <b>Non-</b> | <b>401(k)</b> | <b>Other <sup>3</sup></b> | <b>Total</b> |
|-------------|-------------|---------------|---------------------------|--------------|
|-------------|-------------|---------------|---------------------------|--------------|

**Business Match**<sup>2</sup>**Use of****Aircraft**

|                    |    |              |         |           |           |
|--------------------|----|--------------|---------|-----------|-----------|
| Larry A. Mizel     | -- | <sup>1</sup> | \$8,250 | \$182,711 | \$190,961 |
| David D. Mandarich | -- | <sup>1</sup> | \$8,250 | \$360     | \$8,610   |
| Robert N. Martin   | -- |              | \$8,250 | \$720     | \$8,970   |
| Michael Touff      | -- |              | \$8,250 | \$720     | \$8,970   |

<sup>1</sup> The incremental costs of non-business use of the Company's aircraft are calculated as the total variable operating costs directly associated with non-business trips, which include fuel, pilot travel related costs, catering, landing fees, flight communications and trip-related maintenance (the "Incremental Cost"). For their non-business use of the aircraft in 2018, Messrs. Mizel and Mandarich each reimbursed the Company amounts in excess of the Incremental Cost to the Company.

<sup>2</sup> 401(k) match represents amounts paid in 2019 based on 2018 401(k) deferrals.

<sup>3</sup> For Mr. Mizel, the amount shown for "Other" includes \$181,991 of Incremental Costs incurred by the Company in support of Mr. Mizel's service to not-for-profit organizations, consistent with the Company's commitment to sustainability and as approved by the Company's Board. The remainder of the amount shown for Mr. Mizel and all of the amounts shown for the other NEOs represent cell phone allowances.

Table of Contents**GRANTS OF PLAN-BASED AWARDS IN 2018**

The following table sets forth certain information with respect to awards granted during 2018 to our named executive officers. All equity awards were made under the 2011 Equity Incentive Plan.

On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, *Earnings per Share*, share amounts have been restated for any periods or dates prior to the stock dividend record date.

| Name               | Grant Date | Estimated payouts under equity incentive plan awards <sup>3</sup> |            |             | All other stock awards: Number of shares of stock or units (#) | Exercise or Base Price (\$/Sh) | Grant Date Fair Value of Stock and Option Award (\$) |
|--------------------|------------|---|------------|-------------|--|--------------------------------|--|
|                    |            | Threshold (#)   | Target (#) | Maximum (#) |  |                                |  |
| Larry A. Mizel     | 02/02/2018 |   |            |             | 24,180   | <sup>1</sup>                   | \$716,672  |
| Larry A. Mizel     | 05/23/2018 |   |            |             | 216,000  | <sup>2</sup> \$ 28.51          | \$1,383,620  |
| Larry A. Mizel     | 05/23/2018 | 64,800  | 129,600    | 259,200     |  |                                | \$3,314,295  |
| David D. Mandarich | 02/02/2018 |   |            |             | 24,180   | <sup>1</sup>                   | \$716,672  |
| David D. Mandarich | 05/23/2018 |   |            |             | 216,000  | <sup>2</sup> \$ 28.51          | \$1,383,620  |
| David D. Mandarich | 05/23/2018 | 64,800  | 129,600    | 259,200     |  |                                | \$3,314,295  |
| Robert N. Martin   | 02/02/2018 |   |            |             | 7,421  | <sup>4</sup>                   | \$219,973  |
| Robert N. Martin   | 05/23/2018 | 16,200  | 32,400     | 64,800      |  |                                | \$828,574  |
| Michael Touff      | 02/02/2018 |   |            |             | 1,686  | <sup>4</sup>                   | \$50,000   |

<sup>1</sup> The restricted stock award will vest equally over three years, starting with February 2, 2019. Dividends are paid on the restricted stock. The restricted stock granted in 2018 was based on 2017 performance.

<sup>2</sup> The option granted will become exercisable equally over three years, starting with the first anniversary of the grant date. The option granted was part of the executive's 2018 long term incentive compensation.

<sup>3</sup> *The PSUs will be earned based upon the Company's performance, over a three year period commencing April 1, 2018 and ending March 31, 2021 (the "Performance Period"), measured by increasing average home sale revenues over the Base Period. The "Base Period" for the awards is April 1, 2017 to March 31, 2018. The awards are conditioned upon the Company achieving a minimum average gross margin from home sales percentage (excluding impairments) of at least fifteen percent (15%) over the Performance Period. If Performance Revenues exceed the Base Revenues by at least 5% but less than 10% ("Threshold Goals"), 50% of the Target Goals will be earned. If Performance Revenues exceed the Base Revenues by at least 20%, 200% of the Target Goals will be earned ("Maximum Goals"). The number of PSUs earned under these grants shall be adjusted to be proportional to the partial performance between the Threshold Goals, Target Goals and Maximum Goals.*

<sup>4</sup> *The restricted stock awards will vest equally over three years, starting with the first anniversary of the grant date. Dividends are paid on the restricted stock.*

Table of Contents**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2018**

The table below sets forth information with respect to all unexercised options, unvested restricted stock and unvested performance stock units awarded to our named executive officers that were outstanding as of December 31, 2018.

On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, *Earnings per Share*, share amounts have been restated for any periods or dates prior to the stock dividend record date.

| Name           | Option Awards   |   | Option              |                        | Stock Awards                                      |  | Equity   | Equity  |
|----------------|---|---|---------------------|------------------------|---|--|--|---|
|                | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Exercise Price (\$) | Option Expiration Date | Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Incentive Plan Awards: Number of Unearned Units That Have Not Vested (#) | Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested (\$) |
| Larry A. Mizel | 110,224   | -   | 25.29               | 12/31/2019-            | -   | -  | -  | -   |
|                | 110,224   | -   | 27.81               | 12/31/2019-            | -   | -  | -  | -   |
|                | 110,224   | -   | 23.51               | 12/30/2020-            | -   | -  | -  | -   |
|                | 110,224   | -   | 25.86               | 12/30/2020-            | -   | -  | -  | -   |
|                | 612,360   | -   | 19.96               | 3/8/2022               | -   | -  | -  | -   |
|                | 1,224,720   | -   | 23.18               | 5/18/2025              | -   | -  | -  | -   |
|                | -   | 216,000   | 28.51               | 5/23/2028              | -   | -  | -  | -   |
|                | -   | -   | -                   | -                      | 39,385  | 1,025,104  | -  | -   |
|                | -   | -   | -                   | -                      | 37,558  | 977,551  | -  | -   |
|                | -   | -   | -                   | -                      | 24,180  | 629,352  | -  | -   |
|                | -   | -   | -                   | -                      | -   | -  | 244,944  | 6,375,348   |
|                | -   | -   | -                   | -                      | -   | -  | 64,152   | 1,669,734   |

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|                    |           |         |                    |             |        |                        |         |              |           |
|--------------------|-----------|---------|--------------------|-------------|--------|------------------------|---------|--------------|-----------|
|                    | -         | -       | -                  | -           | -      | -                      | 64,800  | <sup>7</sup> | 1,686,600 |
| David D. Mandarich | 110,224   | -       | 25.29              | 12/31/2019- | -      | -                      | -       | -            | -         |
|                    | 110,224   | -       | 27.81              | 12/31/2019- | -      | -                      | -       | -            | -         |
|                    | 110,224   | -       | 23.51              | 12/30/2020- | -      | -                      | -       | -            | -         |
|                    | 110,224   | -       | 25.86              | 12/30/2020- | -      | -                      | -       | -            | -         |
|                    | 612,360   | -       | 19.96              | 3/8/2022    | -      | -                      | -       | -            | -         |
|                    | 1,224,720 | -       | 23.18              | 5/18/2025   | -      | -                      | -       | -            | -         |
|                    | -         | 216,000 | <sup>1</sup> 28.51 | 5/23/2028   | -      | -                      | -       | -            | -         |
|                    | -         | -       | -                  | -           | 39,385 | <sup>2</sup> 1,025,104 | -       | -            | -         |
|                    | -         | -       | -                  | -           | 37,558 | <sup>3</sup> 977,551   | -       | -            | -         |
|                    | -         | -       | -                  | -           | 24,180 | <sup>4</sup> 629,352   | -       | -            | -         |
|                    | -         | -       | -                  | -           | -      | -                      | 244,944 | <sup>5</sup> | 6,375,348 |
|                    | -         | -       | -                  | -           | -      | -                      | 64,152  | <sup>6</sup> | 1,669,734 |
|                    | -         | -       | -                  | -           | -      | -                      | 64,800  | <sup>7</sup> | 1,686,600 |

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| Name             | Option Awards   |   |                            |                        | Stock Awards  |  | Equity   | Equity  |
|------------------|---|---|----------------------------|------------------------|---|--|--|---|
|                  | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Incentive Plan Awards: Number of Unearned Units That Have Not Vested (#) | Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested (\$) |
| Robert N. Martin | 9,185   | -   | 17.10                      | 1/26/2022              | -   | -  | -  | -   |
|                  | 12,247  | -   | 28.46                      | 11/27/2022             | -   | -  | -  | -   |
|                  | 12,247  | -   | 25.34                      | 1/22/2024              | -   | -  | -  | -   |
|                  | 13,777  | 4,593   | 8 23.11                    | 5/23/2025              | -   | -  | -  | -   |
|                  | -   | -   | -                          | -                      | 12,247  | <sup>9</sup> 318,762   | -  | -   |
|                  | -   | -   | -                          | -                      | 1,978   | <sup>10</sup> 51,483   | -  | -   |
|                  | -   | -   | -                          | -                      | 5,564   | <sup>11</sup> 144,819  | -  | -   |
|                  | -   | -   | -                          | -                      | 7,421   | <sup>4</sup> 193,152   | -  | -   |
|                  | -   | -   | -                          | -                      | -   | -  | 61,236   | <sup>5</sup> 1,593,837  |
|                  | -   | -   | -                          | -                      | -   | -  | 16,038   | <sup>6</sup> 417,434  |
|                  | -   | -   | -                          | -                      | -   | -  | 16,200   | <sup>7</sup> 421,650  |
| Michael Touff    | 36,741  | -   | 25.29                      | 12/31/2019             | -   | -  | -  | -   |
|                  | 30,618  | -   | 32.37                      | 2/1/2023               | -   | -  | -  | -   |
|                  | 20,412  | 10,206  | <sup>12</sup> 23.67        | 2/6/2024               | -   | -  | -  | -   |
|                  | 22,962  | 7,655   | <sup>13</sup> 20.35        | 1/26/2025              | -   | -  | -  | -   |
|                  | -   | -   | -                          | -                      | 1,391   | <sup>11</sup> 36,205   | -  | -   |
|                  | -   | -   | -                          | -                      | 1,686   | <sup>4</sup> 43,883  | -  | -   |

<sup>1</sup> This option vests as to 33-1/3% of the shares on each of May 23, 2019, 2020 and 2021.

<sup>2</sup> The restrictions on these shares lapse as to 50% of the remaining shares on each of December 31, 2019 and 2020.



<sup>3</sup> *The restrictions on these shares lapse as to 33-1/3% of the shares on each of December 31, 2019, 2020 and 2021.*

<sup>4</sup> *The restrictions on these shares lapse as to 33-1/3% of the shares on each of February 2, 2019, 2020 and 2021.*

<sup>5</sup> *The PSUs will be earned based upon the Company's performance, over a three year period commencing July 1, 2016 and ending June 30, 2019. For more detail of the vesting terms see Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.*

<sup>6</sup> *The PSUs will be earned based upon the Company's performance, over a three year period commencing April 1, 2017 and ending March 31, 2020. For more detail of the vesting terms see Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.*

<sup>7</sup> *The PSUs will be earned based upon the Company's performance, over a three year period commencing April 1, 2018 and ending March 31, 2021. For more detail of the vesting terms see GRANTS OF PLAN-BASED AWARDS IN 2018 section above or Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.*

<sup>8</sup> *This option vests as to 100% of the remaining shares each of May 23, 2019.*

<sup>9</sup> *The restrictions on these shares lapse as to 50% of the remaining shares on each of May 23, 2019 and 2020.*

<sup>10</sup> *The restrictions on these shares lapse as to 100% of the remaining shares on January 25, 2019.*

<sup>11</sup> *The restrictions on these shares lapse as to 50% of the remaining shares on each of February 2, 2019 and 2020.*

<sup>12</sup> *This option vests as to 100% of the remaining shares on February 6, 2019.*

<sup>13</sup> *This option vests as to 100% of the remaining shares on January 26, 2019.*



Table of Contents**OPTION EXERCISES AND STOCK VESTED IN 2018**

The following table provides additional information about value realized by the named executive officers on option award exercises and restricted stock award vestings during the year ended December 31, 2018.

|                    | <b>Option Awards</b>   |                    | <b>Stock Awards</b>    |                    |
|--------------------|------------------------|--------------------|------------------------|--------------------|
|                    | <b>Number of</b>       | <b>Value</b>       | <b>Number of</b>       | <b>Value</b>       |
|                    | <b>Shares Acquired</b> | <b>Realized on</b> | <b>Shares Acquired</b> | <b>Realized on</b> |
|                    | <b>on</b>              | <b>Exercise</b>    | <b>on</b>              | <b>Vesting</b>     |
|                    | <b>Exercise</b>        | <b>(\$)</b>        | <b>Vesting</b>         | <b>(\$)</b>        |
|                    | <b>(#)</b>             |                    | <b>(#)</b>             |                    |
| Larry A. Mizel     | 102,060                | \$674,058          | 18,234                 | \$512,558          |
| David D. Mandarich | 204,120                | \$980,267          | 18,234                 | \$512,558          |
| Robert N. Martin   | -                      | -                  | 11,595                 | \$371,897          |
| Michael Touff      | -                      | -                  | 1,399                  | \$46,385           |

**PENSION BENEFITS AT DECEMBER 31, 2018**

The following table shows, as of December 31, 2018, the present value of accumulated post-retirement medical insurance benefits under the employment agreements of Mr. Mizel and Mr. Mandarich.

| <b>Name</b>        | <b>Plan Name</b>     | <b>Years Credited</b> | <b>Number of</b>         | <b>Present Value of</b> | <b>Payments During</b>  |
|--------------------|----------------------|-----------------------|--------------------------|-------------------------|-------------------------|
|                    |                      |                       | <b>Service</b>           | <b>Accumulated</b>      |                         |
|                    |                      | <b>(#)</b>            | <b>Medical Insurance</b> | <b>Benefits</b>         | <b>Last Fiscal Year</b> |
|                    |                      |                       | <b>(\$)</b>              | <b>(\$)</b>             | <b>(\$)</b>             |
| Larry A. Mizel     | Employment Agreement | N/A                   | \$ 215,477               | N/A                     | N/A                     |
| David D. Mandarich | Employment Agreement | N/A                   | \$ 274,523               | N/A                     | N/A                     |
| Robert N. Martin   | N/A                  | N/A                   | N/A                      | N/A                     | N/A                     |

Michael Touff      N/A                      N/A                      N/A                      N/A

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information, as of December 31, 2018, with respect to the Company's existing equity compensation plans.

| <b>Plan category</b>                                   | <b>(a)<br/>Shares to be<br/>issued upon<br/>exercise of<br/>outstanding<br/>options,<br/>warrants<br/>and rights</b> | <b>(b)<br/>Weighted-average<br/>exercise<br/>price of<br/>outstanding<br/>options, warrants<br/>and rights</b> | <b>(c)<br/>Number of<br/>shares<br/>remaining<br/>available for<br/>future<br/>issuance<br/>under<br/>equity<br/>compensation<br/>plans<br/>(excluding<br/>shares<br/>reflected<br/>in column (a))</b> |
|--|--|--|--|
| Equity compensation plans approved by shareholders     | 5,974,433  | 23.50  | 1,322,620  |
| Equity compensation plans not approved by shareholders | --   | --   | --   |
| Total  | 5,974,433  | 23.50  | 1,322,620  |

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**EMPLOYMENT AGREEMENTS**

**Messrs. Mizel and Mandarich**

The Company entered into employment agreements with Mr. Mizel and Mr. Mandarich, which have been amended over time and most recently as of October 18, 2013. The agreements provide for the executives' continued employment with the Company: Mr. Mizel as Chairman and Chief Executive Officer, and Mr. Mandarich as President and Chief Operating Officer. The agreements specify a minimum base salary, incentive compensation and medical benefits during the executive's employment as well as medical benefits upon the executive's retirement, disability or termination.

On March 8, 2012, the employment agreements were amended to provide a double trigger on the non-equity vesting portions of the agreements' change-in-control provision and to increase the percentage threshold in the change-in-control definition from 20% to 50%.

On October 18, 2013 the Company reached agreements (collectively, the "Second Amendments") with the CEO and COO for the early termination, as of June 30, 2013, of the non-qualified retirement benefits contained in their respective employment agreements.

Material terms of the employment agreements are summarized below.

**Employment Term:** The agreements automatically extend for two-year terms unless (1) the Company or the executive elects to terminate by six months written notice, or (2) the executive is terminated earlier. Neither party has given notice of termination.

**Base Salaries:** Mr. Mizel's base salary may not be less than \$1,000,000 per year. Mr. Mandarich's base salary may not be less than \$830,000 per year. The base salary for the executive may only be reduced below his prior year's base salary with the consent of the executive and the Company.

**Incentive Compensation:** Messrs. Mizel and Mandarich participate in the Company's incentive compensation plans ("Performance Plans").

**Medical Insurance Benefits:** The Company provides medical insurance benefits to Messrs. Mizel and Mandarich for the duration of their lives. This applies to each of them while he is employed and for the rest of his life after employment. The medical insurance coverage and benefits are at least comparable to those provided to the executive at the time the agreement was signed. The medical insurance benefits also provide comparable coverage for the executive's spouse for the duration of the executive's life and, if she survives the executive, for an additional sixty months after his death.

**Long-Term Disability Benefits:** The Company will provide the executive with long-term disability benefits. Under the benefits, the annual after-tax amount received by the executive would equal the after-tax amount of his base salary for the year in which he becomes disabled. This long-term disability benefit would be paid monthly until the earlier of the end of the executive's disability or prior to his becoming totally disabled. If the executive dies or becomes totally disabled during his employment, he or his estate will be entitled to receive all benefits earned under his Performance Plan and equity plans.

**Vacation:** The executive is entitled to receive six weeks of vacation each year without carryover from year to year.

**Termination for Cause:** The executive may be terminated for cause, as defined in their employment agreements. If either is terminated for cause, he will only be entitled to his base salary earned through the date of termination and will not be entitled to any other amounts under his employment agreement.

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**Termination Without Cause:** If the executive is terminated without cause he will be entitled to receive:

an amount equal to his aggregate base salary during the three years prior to his termination; and  
an amount equal to 300%, for Mr. Mizel, and 200%, for Mr. Mandarich, of the annual incentive compensation paid for the year prior to termination.

In addition, the executive's options and other rights under the equity plans would vest immediately and the executive, his spouse and his dependents would be entitled to continued medical benefits. Under the employment agreements, termination without cause includes the Company's election not to extend the term of the employment agreement and the Company's termination of the Performance Plans.

**Change in Control Provisions:** If a change in control of the Company occurs, all of the options, dividend equivalents and other rights granted to Messrs. Mizel and Mandarich under the equity plans and other Company plans would accelerate and become exercisable immediately before the occurrence of the transaction that caused the change in control. If the transaction is not completed, the options would remain subject to the restrictions to which they were originally subject.

If a change in control occurs, followed within two years by a material change, the executive can terminate his employment (if he has not already been terminated) within thirty days of the material change. If the executive terminates his employment due to a change in control, then:

he will receive an amount equal to his aggregate base salary during the three years prior to his termination;  
he will receive an amount equal to 300%, for Mr. Mizel, and 200%, for Mr. Mandarich, of the annual incentive compensation paid for the year prior to termination;  
he will be entitled to the accelerated vesting of options and rights; and  
if the change in control involved a two-tier tender offer, at the executive's election the Company will either: (1) pay the executive the difference between the exercise price of the otherwise unvested options and the price offered in the first tier; or (2) adjust the option terms to provide the executive with an equivalent value.

**Excess Parachute Payments:** Certain payments that Messrs. Mizel and Mandarich may receive could be subject to an excise tax as an "excess parachute payment" under the Internal Revenue Code. This could occur following a change in control, a material change, or through other payments made to the executives. In their employment agreements, Messrs. Mizel and Mandarich have agreed to be paid those amounts, if any, in annual installments and over the shortest period of time in which they may be paid and not be treated as "excess parachute payments."

***Change in Control and Material Change Defined***

A "change in control," which is defined more fully in the employment agreements, occurs when:

a report on Schedule 13D is filed with the SEC that discloses that any person is the beneficial owner of fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company. However, it will not be a change in control if that person is the Company or one of its subsidiaries, an employee benefit plan sponsored by the Company, or any Director as of the date of the employment agreements or his or her affiliate;

any person purchases securities through a tender offer or exchange offer if after the offer is completed the person in question is the beneficial owner of fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company. However, it will not be a change in control if that person is the Company or one of its subsidiaries, an employee benefit plan sponsored by the Company, or any Director as of the date of the employment agreements or his or her affiliate;

the Company's shareholders approve a consolidation or merger after which the Company would not be the continuing or surviving corporation;

the Company's shareholders approve a consolidation or merger in which shares of Company's common stock would be converted into cash, securities or other property;



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the shareholders approve any sale, lease, exchange or other transfer of all or substantially all the assets of the Company; or  
the majority of the Board of Directors ceases to be composed of Directors who were on the Board at the beginning of any twelve-month period. However, it will not be a change in control if the election or nomination of each new director was approved by the vote of two-thirds of the Directors in office who were directors at the beginning of that twelve-month period.

A "material change," which is defined more fully in the employment agreements, occurs when:

the Company makes certain adverse changes in the executive's reporting relationship, titles, functions or duties;  
the Company (without the executive's consent) terminates the Performance Plans or amends them to provide for reduced payments to the executive;  
the Company assigns or reassigns the executive, without his written permission, to another place of employment 50 miles or more from his residence;  
the Company reduces the executive's base salary, annual incentive compensation, retirement benefits, long-term incentive compensation, or the manner in which the compensation is determined, or breaches the employment agreement; or  
a purchaser of all or substantially all of the Company's assets or any successor or assignee of the Company fails to assume the employment agreement.

See "Potential Payments Upon Termination or Change in Control" below for additional information.

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**Certain Other Change in Control Agreements**

Mr. Martin and Mr. Touff entered into change in control agreements with the Company effective May 23, 2015 and July 30, 2008, respectively. Each agreement will terminate on the earlier of termination of employment or the end of the current one-year term of the agreement. However, unless either party to the agreement elects by notice in writing delivered to the other at least 90 days prior to December 31 of the current term, the term of the agreement will be renewed automatically for successive one-year terms. In addition, if the agreement has not been terminated prior to a change in control (as defined below), upon a change in control, the term of the agreement will extend automatically following such change in control for two years.

The definition of change in control is generally the same as the definition in the description of the employment agreements above.

For purposes of Messrs. Martin's and Touff's agreements, a change in control event occurs if a change in control is followed by a material change within two years. A material change is defined in the agreements to occur if:

employment is terminated without cause (as defined in the agreements);  
the Company makes certain adverse changes in the employee's reporting relationship, titles, functions or duties;  
the Company assigns or reassigns the employee, without his written permission, to another place of employment more than fifty miles from his current place of employment;  
the Company reduces the employee's base salary, annual or long-term incentive compensation, or the manner in which the compensation is determined unless the reduction applies to other officers of the Company; or  
a purchaser of all or substantially all of the Company's assets or any successor or assignee of the Company fails to assume the agreement.

Pursuant to each agreement, if a change in control event occurs, the employee may elect within 90 days after the change in control event to terminate his employment, if not previously terminated by the Company, and to receive a change in control payment. The change in control payment (to be paid upon termination of employment by either the Company or the employee) equals two times the sum of: (i) the employee's annual base salary in effect immediately prior to the change in control event, plus (ii) the amount of the employee's last regular annual bonus, provided that the amount of the annual bonus shall not exceed 50% of the annual base salary in effect immediately prior to the change in control event.

If a change in control event occurs, the employee also would be entitled to continue to participate in the Company's employee benefit plans, policies and arrangements that provide insurance and medical benefits on the same basis as provided prior to the change in control event for a period of twelve months after the date of termination of his employment.

If a change in control as defined above occurs, all options, dividend equivalents and other rights granted to the employee under any Company equity incentive plan will be accelerated and become exercisable immediately prior to the closing of the change in control. If the change in control is not concluded, the election to exercise such options and other rights shall be of no effect and the options shall remain subject to their original restrictions.

Any amounts payable pursuant to the change in control agreement are in addition to any payments otherwise payable to the employee pursuant to any agreement, plan or policy of the Company. Certain payments that the employee may receive could be subject to an excise tax as an "excess parachute payment" under the Internal Revenue Code. This could occur following a change in control or a change in control event, either alone or together with other payments made to the employee. In the agreement, the employee has agreed to be paid those amounts, if any, in annual installments and over the shortest period of time in which they may be paid and not be treated as "excess parachute payments."

See "Potential Payments Upon Termination or Change in Control" below for additional information.

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The Compensation Committee believes that the potential payments in these limited change in control circumstances fit well within the Company's overall compensation philosophy. The termination and change in control payments are calculated based on the base salaries and the annual bonuses paid to the executives. The Committee believes that the long-term interests of our shareholders are aligned with the executives in that their compensation is, in turn, aligned with the success of the Company. The potential change of control compensation varies with the compensation previously paid to the executive, affords stability to the Company's leadership and is consistent with the philosophy of the Committee to provide compensation that assures retention, incentive and reward to the executive team.

**Amendments to Restricted Stock and Stock Option Agreements Awarded to the Company's Named Executive Officers**

On February 6, 2019, the compensation committee amended the Restricted Stock and Stock Option Agreements previously awarded to the Company's named executive officers under the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan such that in the event of death or disability the restricted stock and/or stock option awards will fully vest, all restricted stock restrictions will lapse and all options will become fully exercisable.

Table of Contents**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following table shows potential payments to our named executive officers under existing contracts for various scenarios involving a change in control or termination of employment, assuming a triggering event on the last business day of 2018. Please see the narrative above under "Employment Agreements" and "Certain Other Change in Control Agreements" for a description of payments contemplated by these agreements.

| Name      | Benefit              | Termination                  |                   | After Change   |               | Voluntary Termination | Death        | Disability            |
|-----------|----------------------|------------------------------|-------------------|--|---------------|-----------------------|--------------|-----------------------|
|           |                      | w/o Cause or Material Change | Change in Control | in Control – Material Change or w/o Cause <sup>1</sup> |               |                       |              |                       |
| Larry A.  | Severance Pay Ann.   | \$3,000,000                  | <sup>2</sup>      | \$3,000,000  | <sup>2</sup>  |                       |              |                       |
| Mizel     | Incentive Comp.      | \$12,000,000                 | <sup>3</sup>      | \$12,000,000   | <sup>3</sup>  |                       |              |                       |
|           | Stock/Option Vesting | \$9,176,015                  | <sup>4</sup>      | \$22,432,691   | <sup>4</sup>  |                       | \$4,054,278  | <sup>11</sup>         |
|           | Health Care Benefits | \$215,477                    | <sup>5</sup>      | \$215,477  | <sup>5</sup>  | \$215,477             | <sup>5</sup> | \$72,949 <sup>5</sup> |
| David D.  | Severance Pay Ann.   | \$2,490,000                  | <sup>2</sup>      | \$2,490,000  | <sup>2</sup>  |                       |              |                       |
| Mandarich | Incentive Comp.      | \$8,000,000                  | <sup>3</sup>      | \$8,000,000  | <sup>3</sup>  |                       |              |                       |
|           | Stock/Option Vesting | \$9,176,015                  | <sup>4</sup>      | \$22,432,691   | <sup>4</sup>  |                       | \$4,054,278  | <sup>11</sup>         |
|           | Health Care Benefits | \$274,523                    | <sup>5</sup>      | \$274,523  | <sup>5</sup>  | \$274,523             | <sup>5</sup> | \$99,710 <sup>5</sup> |
| Robert N. | Severance Pay        |                              |                   | \$1,320,000  | <sup>6</sup>  |                       |              |                       |
| Martin    | Bonus Payment        |                              |                   | \$660,000  | <sup>7</sup>  |                       |              |                       |
|           | Stock/Option Vesting | \$2,344,218                  | <sup>8</sup>      | \$5,681,334  | <sup>9</sup>  |                       | \$1,013,570  | <sup>11</sup>         |
|           | Health Care Benefits |                              |                   | \$22,735   | <sup>10</sup> |                       |              |                       |

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|         |                      |           |                         |                         |    |     |                   |  |    |
|---------|----------------------|-----------|-------------------------|-------------------------|----|-----|-------------------|--|----|
| Michael | Severance Pay        |           |                         | \$ 800,000              | 6  |     |                   |  |    |
| Touff   | Bonus Payment        |           |                         | \$ 400,000              | 7  |     |                   |  |    |
|         | Stock/Option Vesting | \$ 80,087 | <sup>8</sup> \$ 184,780 | <sup>9</sup> \$ 184,780 | 9  | \$- | <sup>11</sup> \$- |  | 11 |
|         | Health Care Benefits |           |                         | \$-                     | 10 |     |                   |  |    |

<sup>1</sup> Following both a change in control and a material change, Messrs. Mizel, Mandarich, Martin and Touff may elect to terminate employment and receive the identified benefits.

<sup>2</sup> Calculated as the aggregate base salary earned by the executive during the prior three years. This amount does not include any amount that may be payable upon a two-tier tender offer that results in a change of control. See footnote 4 below.

<sup>3</sup> Under the executive's employment agreement, this is calculated as of December 31, 2018 at 300% for Mr. Mizel and 200% for Mr. Mandarich of the "Annual Incentive Compensation" paid for 2017.

<sup>4</sup> Amount is the value of unvested restricted stock at December 31, 2018 plus an amount representing the difference between MDC's stock price at December 31, 2018 and the exercise price of unvested options, to the extent that the stock price exceeds the exercise price. Under the executive's employment agreement, the vesting of all options, dividend equivalents and other rights granted under equity incentive plans and any other Company plans would be accelerated so as to permit the executive to fully exercise all outstanding options and rights, if any, granted to the executive. In the event a change in control involves a two-tier tender offer, the Company would pay the executive (at the executive's election) the difference between the exercise price of the otherwise unvested options and the price offered in the first tier, or adjust the option terms to provide the executive with an equivalent value. In addition, this amount also includes the value of all unvested performance share units pursuant to the terms of the performance share unit grant agreement.

<sup>5</sup> The amount shown is the total projected medical insurance benefit obligation for the executive, which would provide medical benefits that are at least comparable to those provided to the executive at the time his employment agreement was signed. After the end of his employment term, the date the executive becomes totally disabled, the date of the executive's termination without cause or the executive's election to terminate his employment following a change in control (but not in the event of termination for cause), the Company will pay the medical insurance benefit for the duration of the executive's life. The medical insurance benefit also provides comparable coverage for the executive's spouse for duration of the executive's life and, if she survives him, for an additional 60 months after his death. This amount is estimated based on 2018 costs incurred by the Company.

<sup>6</sup> Upon the occurrence of the specified event, Messrs. Martin and Touff shall be entitled to receive an amount equal to 200% of their respective annual base salaries.

<sup>7</sup> For each of Messrs. Martin and Touff the amount is calculated as two times the amount equal to each named executive's last regular annual bonus, provided that for these purposes, such regular annual bonus amount shall not exceed 50% of his annual base salary at the rate in effect immediately before the change in control event.

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<sup>8</sup> Represents the value of all unvested restricted stock and performance share unit awards, which would become fully vested upon a termination by the Company without cause pursuant to the terms of the restricted stock award agreement.

<sup>9</sup> Amount is the value of unvested restricted stock at December 31, 2018, plus an amount representing the difference between MDC's stock price at December 31, 2018 and the exercise price of unvested options, to the extent that the stock price exceeds the exercise price. If a change in control occurs, all options, dividend equivalents and other rights granted to the employee under any Company equity incentive plans shall be accelerated and shall become exercisable immediately prior to the closing of the change in control so as to permit the employee fully to exercise all outstanding options and rights. In addition, this amount also includes the value of all unvested performance share units pursuant to the terms of the performance share unit grant agreement.

<sup>10</sup> The employee shall also be entitled to continue to participate in each of the Company's employee benefit plans, policies or arrangements which provide insurance and medical benefits on the same basis as was provided to the employee prior to the change in control event for a period of 12 months after the date of termination of employee's employment. This amount is estimated based on 2018 costs incurred by the Company.

<sup>11</sup> These amounts represent the pro rata value of each executive's performance share units at December 31, 2018, upon death or disability, pursuant to the terms of the performance share unit agreements. On February 6, 2019, the compensation committee amended the Restricted Stock and Stock Option Agreements previously awarded to the Company's named executive officers under the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan such that in the event of death or disability the restricted stock and/or stock option awards will fully vest, all restricted stock restrictions will lapse and all options will become fully exercisable.

## **2018 DIRECTOR COMPENSATION**

We believe that effective corporate governance begins with a diverse, skilled and engaged Board of Directors. We are proud to report that our Board is more diverse, skilled and engaged than ever. In 2018, your directors attended 100% of their Board and committee meetings. The Board is comprised of:

Ten directors with extensive financial, senior management and/or operational expertise;

Eight directors with extensive real estate and/or homebuilding industry experience;

Five directors extensively engaged in philanthropy in support of health, safety, social issues and the general welfare of the community and the nation; and

Two highly qualified female directors who have joined the Board over the last two years.



Your Board takes very seriously its responsibility to provide oversight, guidance and support for senior management. For this reason, we have established multiple mechanisms to facilitate frequent communication with senior management including:

Robust involvement of the independent Lead Director;

Comprehensive oversight of operations, risk-management and business strategy through monthly Board, Audit and Legal Committee meetings.

Significant shareholder engagement with over 45% (by shares held) of the non-affiliated investors.

Our Board periodically reviews director compensation in collaboration with the Compensation Committee and its compensation consultant with reference to comparable individual and peer group director fees and prevailing market practices. The Board takes into consideration a number of specific factors attributable to the directors' service on the Board, including the Company's higher-than-usual frequency of Board, Audit and Legal Committee meetings, which are conducted on a regular monthly basis, Corporate Governance/Nominating Committee meetings, which are held periodically, as required, with interim communications arising during the month, as necessary, and significant preparation before each meeting. Our Directors are engaged, active and expected to attend meetings fully prepared to thoughtfully participate and meaningfully contribute.

During 2018, each Director (excluding the Lead Director) who was not an officer of the Company ("Non-Employee Director") earned a retainer in the amount of \$5,000 per month and the amount of \$3,000 for each Board meeting attended. Committee members (excluding the Lead Director) earned \$3,000 for each Audit Committee meeting attended and \$2,500 for each Compensation and/or Corporate Governance/Nominating Committee meeting attended. The members of the Legal Committee (also excluding the Lead Director) earned a retainer in the amount of \$2,000 per month. In addition, the chairmen of the Audit Committee, Compensation Committee and Corporate Governance/Nominating Committee each received a retainer in the amount of \$1,250 per month. Mr. Berman received a retainer of \$2,000 per month for his service as a director on the Board of HomeAmerican, which conducted four meetings during the year. The Lead Director earned \$32,500 per month for performance of the duties and responsibilities established by the Board and his service as a member on all of the committees. Each Director is also reimbursed for expenses related to their attendance at Board and committee meetings.

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Pursuant to the M.D.C. Holdings, Inc. 2011 Director Plan, approved by the shareholders in 2011 and amended with shareholder approval in 2016, each Non-Employee Director is annually granted a vested option to purchase 25,000 shares of common stock. The stock options are not exercisable until six months after the date of the grant. In lieu of acceptance of the stock option, each Non-Employee Director has the opportunity to elect, in advance and instead of the option grant, to receive an award of restricted stock in an amount valued at the equivalent reportable expense to the Company of the option grant. The restricted stock awards vest on March 1st of the following year.

The following table sets forth information regarding the compensation of the Company's Non-Employee Directors for the fiscal year ended December 31, 2018. The two Directors (Messrs. Mizel and Mandarich) who are executive officers receive no compensation for serving as Directors in addition to the compensation received as executive officers.

| Name                | Fees<br>Earned<br>or    | Stock                       | All Other                         | Total<br>(\$) |
|---------------------|-------------------------|-----------------------------|-----------------------------------|---------------|
|                     | Paid in<br>Cash<br>(\$) | Awards<br>(\$) <sup>1</sup> | Compensation<br>(\$) <sup>2</sup> |               |
| Raymond T. Baker    | \$131,500               | \$153,278                   | 16,760                            | \$301,538     |
| Michael Berman      | \$153,000               | \$153,278                   | 26,226                            | \$332,504     |
| David E. Blackford  | \$135,000               | \$153,278                   | N/A                               | \$288,278     |
| Herbert T. Buchwald | \$390,000               | \$153,278                   | 18,065                            | \$561,343     |
| Leslie B. Fox       | \$48,000                | \$153,278                   | N/A                               | \$201,278     |
| Courtney L. Mizel   | \$96,000                | \$153,278                   | N/A                               | \$249,278     |
| Paris G. Reece III  | \$147,000               | \$153,278                   | 15,713                            | \$315,991     |
| David Siegel        | \$150,000               | \$153,278                   | N/A                               | \$303,278     |

<sup>1</sup> Each Non-Employee Director was granted a vested option to purchase 25,000 shares of common stock or a restricted stock award of equivalent value on August 1, 2018. The dollar amount shown for each Director is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For details on the assumptions used to calculate the fair value of options granted, see Note 21 (Stock Based Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. As of December 31, 2018, Messrs. Baker, Berman, Buchwald, Reece and Siegel had outstanding option grants of 149,472, 39,247, 61,236, 91,854 and 214,326 shares, respectively. Messrs. Blackford, Buchwald, Reece and Siegel and Ms. Mizel and Fox had unvested restricted stock awards of 5,466 each.

<sup>2</sup> The amounts shown for "Other" represent Incremental Costs incurred by the Company in support of these Board members' service to not-for-profit organizations, consistent with the Company's commitment to sustainability.



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**CEO PAY RATIO DISCLOSURE**

Pursuant to SEC rules, to determine our median employee, we used W-2 compensation for our entire employee population, all of whom are located within the United States. As of December 31, 2017, we identified our median employee (excluding our CEO from the calculation). During the last completed fiscal year there has been no change in our employee population or employee compensation arrangements that we believe would result in a significant change to the pay ratio disclosure. Accordingly, we are using the same median employee in our pay ratio calculation. For the fiscal year ended December 31, 2018, we calculated that median employee's total compensation using the same methodology that we used to calculate the total compensation for our CEO. The 2018 annual total compensation of the median employee and our CEO, respectively, were \$100,330 and \$11,605,548. The ratio of the 2018 annual total compensation for our CEO to that of our median employee was 116 to 1.

**COMPENSATION POLICIES AND PRACTICES AND RISK MANAGEMENT**

The Company believes that its compensation policies and practices for its employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The following persons served as members of the Compensation Committee during 2018: Raymond T. Baker and Herbert T. Buchwald. None of the committee members were, during the last fiscal year, officers or employees of the Company, none were formerly officers of the Company and none had a material interest in a "related person" transaction since the beginning of 2018. During 2018, none of our executive officers served as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our Board or Compensation Committee.

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**PROPOSAL TWO ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Securities Exchange Act, as amended and SEC Rule 14a-21(a), we are providing our shareholders the opportunity to vote on a non-binding, advisory resolution to approve the compensation of our named executive officers (say-on-pay), which is described in this Proxy Statement.

“RESOLVED, that the shareholders hereby approve on an advisory basis the compensation of the Company’s named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

We have been providing these advisory votes on an annual basis. The 2018 advisory vote resulted in more than 93% of the votes cast in favor of the advisory resolution. Following the 2019 Annual Meeting, the next advisory say-on-pay vote will be held at our 2020 Annual Meeting of Shareholders.

As described above under “Compensation Discussion and Analysis,” we believe that our ability to retain and motivate named executive officers with the skills, experience and capacity to succeed in our competitive industry has been essential to the success of our Company and a significant factor in creating long-term value for our shareholders. Our compensation philosophy recognizes the value of rewarding our executive officers for their past performance and motivating them to continue to excel in the future. We endeavor to deliver fair and appropriate compensation to our executive officers that is in the best interests of the Company and its shareholders.

The Board of Directors believes the Company’s compensation programs are tailored to retain and motivate key executives in alignment with maintaining and creating long-term value for our shareholders. The Board of Directors urges you to review carefully the Compensation Discussion and Analysis section of this Proxy Statement, which describes our compensation philosophy and programs in greater detail.

**The Board of Directors recommends that you vote in favor of the Company’s executive compensation as described in this Proxy Statement by voting FOR this proposal.**

**PROPOSAL  
THREE**

**APPROVAL OF AN AMENDMENT TO THE M.D.C. HOLDINGS, INC. 2011 EQUITY  
INCENTIVE PLAN**

**The Board of Directors recommends a vote FOR the approval of the Amendment to the 2011 Equity Incentive Plan.**

At our 2011 Annual Meeting, our shareholders approved the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan (the “2011 Equity Plan”). After our 2017 Annual Meeting, at which our shareholders approved a third amendment to the 2011 Equity Plan, a total of 6,488,750 shares of Common Stock were authorized for issuance to our employees under the plan. In December 2017, the Company distributed an 8% stock dividend adding 519,100 shares and, in February 2019, the Company distributed another 8% stock dividend adding 560,628 shares, resulting in a total of 7,568,478 shares available for issuance under the plan. Following all awards made under the plan, approximately 631,216 shares currently remain available to be awarded.

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On December 10, 2018, based on the recommendation of our Compensation Committee, our Board approved, subject to shareholder approval, a fourth amendment (the “Amendment”) to Section 4.1 of the 2011 Equity Plan to increase the number of shares of Common Stock available under the plan by an additional 2,000,000 shares.

The Amendment revises the first two sentences of Section 4.1 by replacing the number 6,488,750 (now, 7,568,478 following the stock dividends) with the number 9,568,478. With the Amendment, the first two sentences of Section 4.1 are as follows:

4.1 ***Number of Shares.*** Subject to adjustment as provided in Section 14, the maximum number of shares of Stock available for issuance under the Plan shall be 9,568,478 shares. Subject to adjustment as provided in Section 14, 9,568,478 shares of Stock available for issuance under the Plan shall be available for issuance pursuant to Incentive Stock Options.

In addition, the Amendment amends certain provisions related to performance-based awards in connection with recent amendments to Section 162(m) of the Internal Revenue Code (“Code”) that eliminated the exception to the \$1 million deductibility limit for “covered employees” imposed by Section 162(m).

Copies of the Amendment and the 2011 Equity Plan, as amended by the proposed Amendment, are set forth in Appendix A and Appendix B, respectively, and incorporated herein by reference.

## **Overview and Principles**

Attracting, rewarding and retaining highly qualified officers and key employees, and motivating them to serve the Company and its affiliated entities and to expend maximum efforts, is important to our growth and success. Equity awards are an important element of our compensation program because stock options, restricted stock and other equity awards enable our officers and key employees to acquire or increase their proprietary interest in the operations and future success of our Company, thereby promoting a close alignment of interests between such individuals and our shareholders.

## **Current Awards Outstanding**

Set forth below is information regarding awards currently outstanding under the 2011 Equity Plan, the M.D.C. Holdings, Inc. 2011 Stock Option Plan for Non-Employee Directors and prior plans. The Company made an annual award grant to employees in January and February 2019, and those awards are included in the data below.

Selected Data as of March 1, 2019:

|  |                   |
|--|-------------------|
| <b>Stock options outstanding</b>                             | <b>5,886,179</b>  |
| <b>Weighted average exercise price</b>                       | <b>\$23.45</b>    |
| <b>Weighted average remaining contractual life</b>           | <b>4.8 years</b>  |
| <b>Restricted shares outstanding</b>                         | <b>399,092</b>    |
| <b>Shares remaining for grant under the 2011 Equity Plan</b> | <b>631,216</b>    |
| <b>Common stock outstanding</b>                              | <b>61,338,701</b> |

#### **Existing 2011 Equity Plan**

Approximately 631,216 shares remain available to be awarded under the 2011 Equity Plan. While being judicious in the granting of stock options, restricted stock awards and other equity awards, the amount of shares granted (as indicated in the chart below) can vary from year-to-year and, without the Amendment, the Company will be unduly limited in the structure of the awards that it may grant. Under New York Stock Exchange listing standards, shareholder approval is required for us to increase the authorized shares under the Plan.



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The Company's burn rates for 2018 and the prior two years remain at reasonable levels:

| <b>Fiscal Year</b> | <b>Options &amp; PSUs Granted<sup>1</sup></b> | <b>Full-Value Grants<sup>1</sup></b> | <b>FV Multiplier</b> | <b>Adjusted Total</b> | <b>Weighted Avg. Shares Outstanding<sup>1</sup></b> | <b>Burn Rate</b>  | <b>Unadjusted Burn Rate</b> |   |
|--------------------|---|--------------------------------------|----------------------|-----------------------|---|-------------------|-----------------------------|---|
| (A)                | (B)   | (C)                                  | (D = A + (B x C))    | (E)                   | (F = D / E)   | (G = (A + B) / E) |                             |   |
| 2018               | 1,069,200                                     | 143,214                              | 2.5                  | 1,427,236             | 60,571,123  | 2.36 %            | 2.00                        | % |
| 2017               | 577,368                                       | 160,296                              | 2.5                  | 978,107               | 60,117,021  | 1.63 %            | 1.23                        | % |
| 2016               | 599,772                                       | 177,123                              | 2.5                  | 1,042,580             | 59,821,090  | 1.74 %            | 1.30                        | % |

<sup>1</sup> On January 28, 2019, MDC's board of directors approved an 8% stock dividend that was distributed on February 28, 2019 to shareholders of record on February 14, 2019. In accordance with ASC Topic 260, Earnings per Share, share amounts have been restated for any periods or dates prior to the stock dividend record date.

Similarly, our existing dilution level remains reasonable. Following our February 2019 stock dividend, we have a total of 61,338,701 shares outstanding (as of the Record Date), a total of 1,213,340 shares available under our two equity plans and a total of 7,597,871 shares covered by outstanding options and performance share units under both equity plans, resulting in a dilution rate of 12.6%. With an additional 2,000,000 shares authorized under the requested Amendment, the dilution rate would only modestly increase to 15.0%. We calculate our existing "dilution" level as follows: "X" [shares available under our equity plans plus shares covered by outstanding options and performance share units] divided by "Y" [shares outstanding plus "X"].

Also, the proposed Amendment updates certain provisions of the current plan that reference, or relate to, Section 162(m) of the Code to comply with the recent elimination of the exception to the \$1 million deductibility limit for "covered employees" under Section 162(m).

Accordingly, the Company recommends approval of the Amendment.

### Key Terms and Practices Under the 2011 Equity Plan

No repricing of stock options without shareholder approval  
 Awards subject to clawback  
 No automatic single-trigger vesting in the event of a change in control

### **Summary of Material Terms of the 2011 Equity Plan**

The following discussion of the material features of the 2011 Equity Plan is qualified by reference to the full text of the plan, which was Exhibit 10.1 to the Company's Form 8-K filed on April 29, 2011, as amended by the First Amendment, which was Exhibit 10.2 to the Company's Form 8-K filed on March 19, 2013, and as amended by the Second Amendment, which was Exhibit 10.1 to the Company's Form 8-K filed on March 24, 2015, and as amended by the Third Amendment, which was Exhibit 10.1 to the Company's Form 8-K filed on April 25, 2017.

**Administration:** The 2011 Equity Plan is administered by our Compensation Committee or any committee designated by our Board of Directors. The Compensation Committee or the Board may designate one or more subcommittees consisting of non-employee directors as defined in Rule 16b-3 under Section 16 of the Securities Exchange Act of 1934 and outside directors as defined in Treasury Regulation § 1.162-27(e)(3). The proposed Amendment would also provide that the Compensation Committee or the Board may in their discretion designate one or more subcommittees consisting of persons who are not described in the foregoing sentence. For purposes of this summary of the 2011 Equity Plan, the Compensation Committee or other designated committee will be referenced as the "Committee."

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Subject to the terms and conditions of the 2011 Equity Plan, the Committee is authorized to select participants who are employees of the Company or its subsidiaries, determine the awards to be made, set terms and conditions of such awards, and determine the form of award agreements. The Committee also has the authority, among other things, to:

- adopt rules and regulations relating to the 2011 Equity Plan;
- correct any defect, supply any omission, or reconcile any inconsistency in the 2011 Equity Plan or any award agreement;
- interpret the 2011 Equity Plan and award agreements; and
- make all other determinations which may be necessary or desirable for the administration of the 2011 Equity Plan.

**Eligibility:** Any employee of the Company or its subsidiaries is eligible to receive awards under the 2011 Equity Plan. There are four executive officers (including two employee directors) and approximately 1,550 non-executive officer employees who are eligible under the 2011 Equity Plan.

**Shares Subject to the Plan:** If the Amendment is approved by the shareholders, and subject to the adjustments upon changes in capitalization described below 9,568,478 shares of our common stock will be authorized for issuance of awards under the 2011 Equity Plan and the 9,568,478 shares of common stock also will be authorized for issuance pursuant to incentive stock options. As of the Record Date, there were approximately 631,216 shares available for (but not yet subject to) a grant or award, plus an additional 2,000,000 shares authorized by the Amendment (if the Amendment is approved by our shareholders). If our shareholders do not approve the Amendment, the 2011 Equity Plan's total authorized shares will remain at 7,568,478 shares, with a total remaining unused capacity of approximately 631,216 shares.

The maximum number or value of shares of common stock that may be granted to any individual under the 2011 Equity Plan in any calendar year shall not exceed the shares available for issuance under the plan, subject to the adjustments upon changes in capitalization described below. The shares underlying terminated awards and awards that are forfeited will remain available for issuance under the 2011 Equity Plan and shares that are utilized to pay an award's exercise price or tax withholding obligations will not count against the 2011 Equity Plan's share limits.

The closing price of a share of the Company's common stock as reflected on the New York Stock Exchange on the Record Date was \$28.15.

**Stock Options and Stock Appreciation Rights:** The Committee is authorized to grant stock options, including both incentive stock options ("ISOs"), which can result in potentially favorable tax treatment to the participant, and non-qualified stock options ("NSOs"), and stock appreciation rights ("SARs"). The exercise price per share of common stock subject to an option or SAR must be at least the fair market value of the underlying stock at the date of grant of a stock option or SAR; provided, however, that an ISO granted to a participant who is the holder of record of more than

10% of the Company's stock will have an exercise price of at least 110% of the fair market value of the underlying stock at the date of grant. The term of each option and SAR and the times at which each option or SAR shall be exercisable generally will be fixed by the Committee, except no option or SAR will have a term exceeding 10 years. Upon the termination of an option holder's or SAR holder's employment with us, the ability to exercise vested options and SARs will be determined in the discretion of the Committee as set forth in the applicable award agreement. Upon the termination of an option holder's or SAR holder's employment, all of that person's options and SARs will expire in accordance with the terms of the applicable award agreement; provided, however, that incentive stock options shall not be exercisable for more than three (3) months after the participant ceases to be an employee for any reason other than death or disability, or more than one (1) year after the participant ceases to be an employee due to death or disability. Options may be exercised by payment of the exercise price.

The exercise price of an NSO or ISO shall be payable to the Company in full, in any method permitted under the award agreement, including: (i) in cash or in cash equivalents acceptable to the Company; (ii) by tendering unrestricted shares of stock already owned by the participant (for at least six (6) months or such other period as may be required by the Committee in order to comply with applicable law and to avoid adverse accounting consequences) on the date of exercise to the extent the shares of stock have a fair market value on the date of exercise equal to the aggregate exercise price of the shares as to which such NSO or ISO shall be exercised, provided that, in the case of an ISO, the right to make payment in the form of already owned shares of stock may be authorized only at the time of grant, (iii) any other method approved or accepted by the Committee in its sole discretion, including, but not limited to a cashless (broker-assisted) exercise (although limitations might apply to certain executive officers), or (iv) any combination of the foregoing.

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At the discretion of the Committee, the payment upon exercise of an SAR may be in cash, shares of stock or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination as to the form of settlement will be set forth in the award agreement.

The exercise of an NSO or SAR is conditioned on the withholding of taxes.

**Restricted Stock and Restricted Stock Units:** The Committee may grant shares of restricted stock or restricted stock units under the 2011 Equity Plan. The Committee determines in the award agreement the restriction period during which the restricted stock or the restricted stock units are subject to a substantial risk of forfeiture based upon the passage of time, the achievement of performance goals or the occurrence of other events determined by the Committee. Except as provided in the 2011 Equity Plan or an award agreement, the restricted stock or the restricted stock units may not be sold, assigned or otherwise transferred until the end of the restriction period as specified by the Committee. The Committee may impose other conditions, including a requirement that the participant pay a specified amount to purchase each share of restricted stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting, or holding requirements or sale restrictions upon vesting. Unless otherwise provided by the Committee, participants forfeit any unvested shares of restricted stock or restricted stock units upon termination of service. Participants holding restricted stock generally may vote the shares. The Committee may provide in an award agreement that the holder of restricted stock may receive any dividends paid. Participants holding shares of restricted stock units shall have no rights of stockholders. The Committee may provide in an award agreement that the holder of such restricted stock units shall be entitled to receive dividend equivalents.

**Performance Awards:** The Committee may condition any award under the 2011 Equity Plan on the fulfillment of conditions and the attainment of performance goals over such periods as the Committee determines in writing and sets forth in the award agreement between the Company and the participant. To the extent compliance with Section 162(m) of the Internal Revenue Code is desired with respect to awards granted prior to November 2, 2017 (and not materially modified thereafter), which were intended to constitute performance-based compensation under Section 162(m) (such awards, "Grandfathered Awards"), the "Committee" for this purpose shall be comprised solely of two or more "outside directors" under Section 162(m). Performance goals for Grandfathered Awards would be established by the Committee within 90 days after the beginning of the applicable performance period, and in no event after passage of more than 25% of the period to which the performance goal relates. Performance goals are based on the attainment of specified target levels with respect to one or more selected measures of business or financial performance. Performance goals may include alternate and multiple goals and shall be based on one or more of the following criteria: (a) total shareholder return; (b) return on assets, return on equity, or return on capital employed; (c) measures of profitability such as earnings per share, corporate or business-unit net income, net income before extraordinary or one-time items, earnings before interest and taxes, or earnings before interest, taxes, depreciation and amortization; (d) cash flow from operations; (e) gross or net revenues or gross or net margins; (f) levels of operating expense or other expense items reported on the income statement; (g) measures of customer satisfaction and customer service; (h) safety; (i) annual or multi-year average production growth; (j) efficiency or productivity measures such as annual or multi-year absolute or per-unit operating and maintenance costs; (k) satisfactory completion of a major project or organizational initiative with specific criteria set in advance by the Committee; (l) debt ratios or other measures of credit quality or liquidity; (m) strategic asset sales or acquisitions in compliance with specific criteria set in advance by the Committee; (n) sales and marketing measures, such as annual or multi-year "net-back" sales or the introduction of

new products in accordance with specific goals set in advance by the Committee; (o) staffing and retention and (p) any criteria that are stated in the stockholder approved Executive Officer Performance-Based Compensation Plan (as amended). The Amendment would amend criteria (p) to reference the 2013 Executive Officer Performance-Based Compensation Plan.

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Following completion of the applicable performance period, the Committee certifies in writing the extent to which a participant has attained the applicable performance goals and the resulting value of the participant's award. The Committee retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable on a Grandfathered Award; however, no such reduction may increase the amount correspondingly paid to any other participant.

The proposed Amendment also clarifies that the Committee may in its discretion condition the grant, vesting or payment of an award on the attainment of pre-established performance goals which are not intended to qualify as "qualified performance based compensation" under Section 162(m) of the Code and which are not required to comply with the requirements of Section 162(m) and Sections 9.2, 9.3 and 9.4 of the 2011 Equity Plan.

The Committee will, in the award agreement, state the results that will transpire if a participant terminates service due to death or disability prior to completion of the applicable performance period. For example, the final award value may be determined at the end of the performance period on the basis of the performance goals attained during the entire performance period, but will then be prorated for the number of months of the participant's service during the performance period. The Committee may also provide that, if a participant's service terminates prior to completion of the applicable performance period for any other reason, the participant forfeits the performance award, unless the Committee determines otherwise. Participants may not sell or transfer a performance award, other than by will or the laws of descent and distribution, prior to the end of the applicable performance period. In the event that the performance goals are not satisfied, the award shall not become vested or payable, as applicable.

***Other Stock-Based Awards:*** The Committee may adopt other incentive arrangements under which participants may acquire shares of stock by purchase, grant or otherwise, or receive an award payable in cash or stock, the value of which may be determined in whole or in part based on the value of the stock. Any such arrangements will be subject to the general provisions of the 2011 Equity Plan.

***Adjustments Upon Changes in Capitalization:*** The 2011 Equity Plan provides that, in the event of any change in our capital structure that effects an increase or decrease in the number of shares of our common stock without receipt of consideration, the maximum number of shares of stock for which awards may be made under the plan shall be proportionately increased or decreased, and the number and kind of shares for which awards are outstanding may be proportionately increased or decreased. Any adjustment in outstanding options or SARs will not increase the aggregate exercise price or grant price payable with respect to shares that are subject to the unexercised portion of the option or SAR, in compliance with Section 409A of the Code. Except as otherwise provided in another agreement, upon a change of control the Committee may take any action it deems necessary or desirable with respect to any awards including, among other things, providing that the awards are fully vested or payable. In the event of a reorganization in which the Company is the surviving entity and no change of control occurs, any previous award will generally apply solely to securities to which the holder of the number of securities subject to such award would have been entitled immediately following such reorganization and, in the case of options or SARs, with a corresponding proportionate adjustment of the exercise price or grant price per share. Adjustments to shares of stock will be made by the Committee whose determination will be final and the Committee may provide in award agreements for different

provisions to apply to an award. However, any provisions may be modified by the Committee to avoid any tax that would otherwise be due under Section 409A of the Code.

***Substitute Awards:*** Awards may be granted in substitution for, or in assumption of, outstanding awards previously granted by an entity acquired by the Company or an affiliate or with which the Company or an affiliate combines.

***Other Terms:*** The terms of the 2011 Equity Plan will permit the Committee to impose performance conditions with respect to any award. Performance conditions may require that an award be forfeited, in whole or in part, if performance objectives are not met, or require that the time of exercisability of an option be linked to achievement of performance conditions.



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Each award agreement may contain other terms and conditions not inconsistent with the 2011 Equity Plan as may be determined by the Committee in its discretion. Unless otherwise provided by the Committee, no consideration is to be received by the Company for the granting of options or other awards.

No awards may be granted under the 2011 Equity Plan ten years after the date the plan is approved by the shareholders.

Our Board of Directors may terminate, amend or modify the 2011 Equity Plan; provided that no such termination, amendment or modification may adversely affect any outstanding award without the consent of the award holder. However, no amendment or modification may become effective without shareholder approval if required by applicable law or regulatory requirement. The listing standards of the New York Stock Exchange require that all equity compensation plans, and any material revisions to the plans, be subject to shareholder approval, with certain limited exemptions.

Awards granted under the 2011 Equity Plan generally are not transferrable other than upon death, in certain family transfers, or pursuant to a court-approved domestic relations order.

The 2011 Equity Plan will be governed by the laws of the state of Delaware except for conflict of law provisions.

### **Federal Tax Consequences of the 2011 Equity Plan**

The following is a general summary as of January 2019 of the federal income tax consequences to us and to U.S. participants to awards granted under the 2011 Equity Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances. The federal tax laws may change and the federal, state and local tax consequences for any participant will depend upon his or her individual circumstances. Tax consequences for any particular individual may be different. This summary is not intended to be exhaustive and does not discuss the tax consequences of a participant's death or provisions of income tax laws of any municipality, state or other country. Each participant is advised to consult his or her individual tax advisor concerning his or her personal tax consequences.

***Incentive Stock Options:*** For federal income tax purposes, the holder of an ISO has no taxable income at the time of the grant or exercise of the ISO if certain requirements in the Code are satisfied, including the requirement that the holder generally must exercise the ISO no later than three months following termination of employment with the Company (or one year following a termination due to disability or death) and that common stock acquired upon

exercise of the ISO is held for the requisite period described below. If such person retains the common stock for a period of at least two years after the stock option is granted and one year after the stock option is exercised, any gain upon the subsequent sale of the common stock will be taxed as a long term capital gain. A participant who disposes of shares acquired by exercise of an ISO prior to the expiration of two years after the stock option is granted or before one year after the stock option is exercised will recognize ordinary income or loss equal to the difference between the exercise price and fair market value of the stock as of the date of exercise. Any additional gain or loss recognized upon any later disposition of the shares would be short or long term capital gain or loss depending on whether the shares had been held by the participant for more than one year. The difference between the option exercise price and the fair market value of the shares on the exercise date of an ISO is an adjustment in computing the holder's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the participant's regular income tax for the year.

***Non-statutory Stock Options and Stock Appreciation Rights:*** A participant who receives an NSO or SAR generally will not recognize taxable income on the grant of such option or SAR but will recognize ordinary income at the time of exercise of the stock option or SAR equal to the difference between the option or SAR exercise price and the fair market value of the stock on the date of exercise. Any additional gain or loss recognized upon any later disposition of the shares would be short or long term capital gain or loss depending on whether the shares had been held by the participant for more than one year.

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**Restricted Stock:** A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the “determination date.” The determination date is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not freely transferable, in which case the determination date is the earlier of (i) the date on which the shares become freely transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss.

**Restricted Stock Units:** A participant generally will recognize no income upon the receipt of a restricted stock unit award. Upon the settlement of such an award, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any substantially vested shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described under “Restricted Stock.” Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the determination date (as defined under “Restricted Stock”), will be taxed as capital gain or loss.

**Income Tax Effects for our Company:** We generally will be entitled to a tax deduction in connection with an award under the 2011 Equity Plan in an amount equal to the ordinary income recognized by a participant at the time the participant recognizes such income (for example, upon the exercise of an NSO or the vesting of restricted stock), except to the extent such deduction is limited by applicable provisions of the Code.

**Internal Revenue Code Section 409A:** Section 409A of the Internal Revenue Code governs the federal income taxation of certain types of nonqualified deferred compensation arrangements. A violation of section 409A generally results in an acceleration of the recognition of income of amounts intended to be deferred and the imposition of a federal excise tax of 20% on recipients of awards who are our employees over and above the income tax owed plus possible penalties and interest. The types of arrangements covered by section 409A are broad and may apply to certain awards available under the 2011 Equity Plan. As required by section 409A, certain nonqualified deferred compensation payments to specified employees may be delayed to the seventh month after such employee's separation from service.

**New Plan Benefits**

All awards under the 2011 Equity Plan will be granted at the Committee's discretion. Therefore, the benefits and amounts that will be received or allocated under the 2011 Equity Plan are not presently determinable.

Table of Contents**Past Awards under the Plan**

Since the inception of the 2011 Equity Plan, options, restricted stock awards and performance share units covering the following number of shares have been awarded to the following individuals and groups:

| <b>Name</b>  | <b>Options</b> | <b>Restricted</b>   | <b>Performance Share Units</b> |               |                |
|--|----------------|---------------------|--------------------------------|---------------|----------------|
|  |                | <b>Stock Awards</b> | <b>Threshold</b>               | <b>Target</b> | <b>Maximum</b> |
| Larry A. Mizel   | 2,053,080      | 151,655             | 190,188                        | 380,376       | 760,752        |
| David D. Mandarich   | 2,053,080      | 151,655             | 190,188                        | 380,376       | 760,752        |
| Michael Touff  | 118,104        | 14,009              | -                              | -             | -              |
| Robert N. Martin   | 54,549         | 65,710              | 47,547                         | 95,094        | 190,188        |
| All current executive officers as a group  | 4,278,813      | 383,029             | 427,923                        | 855,846       | 1,711,692      |
| All current directors who are not executive officers as a group                          | -              | -                   | -                              | -             | -              |
| Each nominee for election as a director  | -              | -                   | -                              | -             | -              |
| Each associate of any of such directors, executive officers or nominees                  | -              | -                   | -                              | -             | -              |
| Each other person who received 5% of awards  | -              | -                   | -                              | -             | -              |
| All employees, including all current officers who are not executive officers, as a group | 508,485        | 254,579             | -                              | -             | -              |

**Securities Registration**

We intend to register the shares available for issuance under the Amendment under a Registration Statement on Form S-8 to be filed with the SEC upon approval of the Amendment by our shareholders.

**The Board of Directors recommends a vote FOR the approval of the Amendment to the 2011 Equity Incentive Plan.**

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**AUDIT COMMITTEE REPORT**

*The following Report of the Audit Committee shall not be deemed to be "filed" with the SEC or to be subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. The report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.*

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm, Ernst & Young LLP ("independent auditors"), is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Audit Committee generally meets monthly, or more often as necessary, to fulfill its responsibility to monitor and oversee these processes, as described in the Audit Committee Charter.

The Audit Committee reviewed and discussed the audited consolidated financial statements of the Company for the year ended December 31, 2018 with the Company's management, the independent auditors and the Company's internal audit department. The Audit Committee has discussed with the independent auditors the matters required to be discussed by applicable standards of the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the PCAOB regarding independent auditors' communications with audit committees concerning independence, and has discussed with the independent auditors their independence status.

Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

**AUDIT COMMITTEE\***

Paris G. Reece III, Chairman

Michael A. Berman

Herbert T. Buchwald

*\* As of February 1, 2019, Director Leslie B. Fox joined the committee.*

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**TRANSACTIONS WITH RELATED PERSONS**

The Company leases its headquarters office space at 4350 S. Monaco Street, Denver CO 80237. Approximately 5,437 square feet in the Company's office building at 4350 S. Monaco Street is subleased by an entity affiliated with Mr. Mizel, for which it paid rent in 2018 to the Company of \$149,952.

During 2018, the Company paid a firm owned by Carol Mizel, Mr. Mizel's spouse, \$120,000 for consulting services in connection with corporate and consumer marketing, merchandising, design work, human resources development, product development, and such other matters as were requested by the Company's senior management. The firm, Mizel Design and Decorating Company, provided these services under an Independent Contractor Agreement with the Company, dated as of January 1, 2005. The Company also provides Ms. Mizel with office space in the Company's office building at 4350 S. Monaco Street, which has an estimated annual rental value of approximately \$7,500.

Effective as of January 1, 2005, and August 2, 2007, Larry A. Mizel, Chief Executive Officer, and David D. Mandarich, President and Chief Operating Officer, each entered into lease agreements for their non-business use of Company aircraft when the aircraft is not required for Company business. The lease agreements require payment of the Incremental Expenses incurred by the Company for each non-business use, as defined in the lease agreements. The Incremental Expenses represent the maximum reimbursement permitted by the Federal Aviation Administration in Federal Aviation Regulation Part 91.501(d). The executive officers also pay the federal excise tax for the non-business use of the aircraft. Copies of the lease agreements have been filed with the SEC on Form 8-K and Form 10-Q. For their non-business use of the aircraft in 2018, Messrs. Mizel and Mandarich reimbursed the Company for Incremental Expenses of \$310,000 and \$37,000.

As noted above under **Election of Directors**, Director Courtney L. Mizel is the daughter of the Company's Chairman of the Board and Chief Executive Officer, Larry A. Mizel.

**REVIEW OF TRANSACTIONS WITH RELATED PERSONS**

Our policies require that full information be disclosed regarding transactions with related persons, without mandating how such transactions are to be addressed, so that they may be considered on their own merits. Specifically, our Corporate Code of Conduct, in addressing conflicts of interest, notes that personal interests of our employees and Directors and their family members could come into conflict, or create the appearance of a conflict, with the Company's interest. Accordingly, the Code of Conduct requires all employees (including our executive officers) and our Directors to immediately report conflicts of interest or transactions that could create the appearance of a conflict of interest. These reports are to be made immediately to a Company compliance officer (as identified in the Code of Conduct), the Company's Asset Management Committees, or, for members of the Company's Board of Directors, to



the Audit Committee, for a determination as to compliance with the Code of Conduct.

In addition, the Audit Committee's charter provides for the Committee to be informed of related party transactions. In support of this and the Company's SEC reporting requirements, the following written procedure has been adopted. Specifically, the Directors and executive officers are to report to the Company's legal department all related party transactions between the Company (or any of its subsidiaries) and any of the executive officers and Directors, including any of their family members, which is reported on a monthly basis to the Audit Committee. Also, our CFO reports on a monthly basis to the Audit Committee as to the best of the CFO's, CEO's, and COO's knowledge, whether or not any related party transactions have occurred.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The Company's executive officers and Directors and certain beneficial owners of more than ten percent of the Company's common stock are required under Section 16(a) of the Securities Exchange Act of 1934, as amended, to file initial reports of ownership and reports of changes in ownership of common stock of the Company with the SEC and furnish copies of those reports to the Company. Based solely upon a review of the copies of reports furnished to the Company and, in certain cases, written representations, the Company believes that during the year ended December 31, 2018, all such reports were filed on a timely basis, except for a Form 4 report filed late for each of Messrs. Mizel and Mandarich with respect to one transaction and a Form 4 report filed late for Mr. Siegel with respect to one transaction.

Table of Contents**PROPOSAL FOUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee is responsible for the selection, oversight, retention and termination of our independent auditors. The Audit Committee has selected Ernst & Young LLP, a registered public accounting firm, as our independent auditors for 2019. The Audit Committee and the Board seek shareholder ratification of this selection. The Audit Committee may, in its discretion, direct the appointment of another independent registered public accounting firm at any time during the fiscal year.

**The Board of Directors recommends a vote FOR ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.**

A representative of Ernst & Young LLP is expected to be present at the Meeting and will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions.

**Audit Fees and All Other Fees**

A summary of the fees of Ernst & Young LLP for the years ended December 31, 2018 and 2017 are set forth below:

|                             | 2018 Fees   | 2017 Fees   |
|-----------------------------|-------------|-------------|
| Audit Fees <sup>1</sup>     | \$1,319,386 | \$1,391,731 |
| Audit-Related Fees          | -           | -           |
| Tax Fees <sup>2</sup>       | 15,000      | -           |
| All Other Fees <sup>3</sup> | 2,078       | 2,078       |
| Total Fees                  | \$1,336,464 | \$1,393,809 |

<sup>1</sup> Consists of fees and expenses for the audit of consolidated financial statements, SAS 100 interim reviews, the audit of internal control over financial reporting and services rendered in connection with statutory and regulatory filings (includes the audit of HomeAmerican). 2017 fees also included services rendered in connection with the offering of senior notes.

<sup>2</sup> Consists of fees and expenses for miscellaneous tax consulting services.

<sup>3</sup> *Consists of fees for access to Ernst & Young LLP online resources.*

### **Audit Committee Pre-Approval Procedures**

Under the procedures established by the Audit Committee, all audit services and all non-audit services by the Company's auditors are to be pre-approved by the Audit Committee, subject to the de minimis exception provided under Section 202 of the Sarbanes-Oxley Act of 2002. In certain cases, pre-approval is provided by the committee for up to a year as to particular categories of services, subject to a specific budget. The committee also has delegated to each of its members the authority to grant pre-approvals, such pre-approvals to be presented to the full committee at the next scheduled meeting. For 2018 and 2017, all of the fees included under the headings "Audit-Related Fees," "Tax Fees" and "All Other Fees" above were pre-approved by the Audit Committee.

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**OTHER MATTERS**

Management and the Board of Directors of the Company know of no matters to be brought before the Meeting other than the proposals set forth above. If you grant a proxy, each of the persons named as proxy holder, Michael Touff and Joseph H. Fretz, or their nominees or substitutes, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Meeting. If for any unforeseen reason, any of our nominees are not available as a candidate for Director, the proxy holder may vote your proxy for such other candidate or candidates nominated by our Board.

**SHAREHOLDER PROPOSALS**

Any proposal a shareholder desires to present at the 2020 Annual Meeting of Shareholders and to have included in the Company's proxy soliciting materials pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must be received in writing by the Secretary of the Company not later than Saturday, November 9, 2019. However, if the date of the 2020 Annual Meeting changes by more than 30 days from the date of the 2019 Annual Meeting, then the deadline is a reasonable time before the Company begins to print and mail its proxy materials as the Company shall inform the shareholders.

For shareholder proposals submitted outside the Rule 14a-8 process, the Company's By-Laws provide that only business properly brought before a meeting will be conducted. For business to be properly brought before a meeting by a shareholder, the shareholder must give timely notice thereof in writing to the Secretary of the Company. To be timely, the notice must be delivered to, or mailed and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; however, in the event that less than 75 days' notice or prior public disclosure of the date of such meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10<sup>th</sup> day following the day on which notice of the date of the meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the meeting: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of the Company which are beneficially owned by the shareholder and (iv) any material interest of the shareholder in such business.

If notice of a proposal is not submitted in writing and received by the Company at the address appearing on the first page of this proxy statement by the dates described above, then the proposal will be deemed untimely under Rule 14a-4 of the Securities Exchange Act of 1934 and the persons appointed as the Company's proxies will have the right to exercise discretionary voting authority with respect to the proposal.



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**INCORPORATION BY REFERENCE**

The Company hereby incorporates by reference into this Proxy Statement Note 21 (Stock-Based Compensation) to the Consolidated Financial Statements from Item 8 of its annual report on Form 10-K for the fiscal year ended December 31, 2018, filed with the Securities and Exchange Commission on January 31, 2019.

BY THE ORDER OF THE BOARD OF DIRECTORS,

Larry A. Mizel

*Chairman of the Board*

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**APPENDIX A**

**FOURTH AMENDMENT**

**TO**

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

**2011 EQUITY INCENTIVE PLAN**

This Fourth Amendment to the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan (as originally effective as of April 27, 2011, and as amended from time to time, the “Plan”) is adopted by the Board of Directors of M.D.C. Holdings, Inc. (the “Company”) effective as of December 10, 2018, subject to approval of the Company’s shareholders. Capitalized terms used herein shall have the meanings ascribed in the Plan.

1. Section 2.10 of the Plan is amended in its entirety to read as follows:

2.10 “**Committee**” means the Compensation Committee of the Board or any committee designated by the Board to administer the Plan. The Compensation Committee or the Board may designate one or more subcommittees to (i) consist solely of persons who satisfy the applicable requirements of any stock exchange or national market system on which the shares of Stock may be listed, (ii) consist solely of persons who qualify as an “outside director” within the meaning of Section 162(m) of the Code, and (iii) consist solely of persons who qualify as a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Exchange Act. Notwithstanding the foregoing, the Compensation Committee or the Board may also designate one or more subcommittees that consist of persons appointed in the discretion of the Compensation Committee or the Board who are not described in (i), (ii) or (iii) of the preceding sentence.

2. The first two sentences of Section 4.1 of the Plan are amended to read as follows:

4.1 **Number of Shares.** Subject to adjustment as provided in Section 14, the maximum number of shares of Stock available for issuance under the Plan shall be 9,568,478 shares. Subject to adjustment as provided in Section 14, 9,568,478 shares of Stock available for issuance under the Plan shall be available for issuance pursuant to Incentive Stock Options.



3. Section 9.1 of the Plan is amended in its entirety to read as follows:

**9.1 *Grant or Vesting of Award Subject to Objective Performance Goals.*** The Committee may, in its discretion, condition the grant, vesting, or payment of an Award on the attainment of one or more pre-established objective performance goals, in accordance with the “qualified performance based compensation” exception to Code Section 162(m) and the requirements of Sections 9.2, 9.3 and 9.4 of this Plan. For the avoidance of doubt, the Committee may also, in its discretion, condition the grant, vesting, or payment of an Award on the attainment of one or more pre-established objective performance goals which are not intended to qualify for the “qualified performance based compensation” exception to Code Section 162(m) and which are not required to comply with the requirements of Sections 9.2, 9.3 and 9.4 of this Plan.

4. Section 9.2(p) of the Plan is amended to read as follows:

(p) any criteria stated in the stockholder approved 2013 Executive Officer Performance-Based Compensation Plan (as amended)

5. Except as amended by this Fourth Amendment, the Plan shall remain in full force and effect.

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

By:  
Name:  
Title:

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**APPENDIX B**

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

**2011 EQUITY INCENTIVE PLAN**

(As amended)



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## M.D.C. HOLDINGS, INC.

### 2011 EQUITY INCENTIVE PLAN

#### 1 INTRODUCTION

**1.1 Establishment.** M.D.C. Holdings, Inc., a Delaware corporation (the “*Company*”), hereby establishes the M.D.C. Holdings, Inc. 2011 Equity Incentive Plan (the “*Plan*”). The Plan permits the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based and cash awards in accordance with the terms hereof.

**1.2 Purpose.** The Plan is intended to enhance the Company’s and its Affiliates’ (as defined herein) ability to attract and retain highly qualified officers, key employees, and other persons, and to motivate such persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

**1.3 Effect on Existing Agreements.** Nothing in the Plan is intended to abrogate the rights of any Participant under any contract or agreement existing between the Participant and the Company, or any subsequent amendments or modifications of such contract or agreement, and all Awards granted under the Plan and actions taken with respect to the Plan shall be subject to the terms of any contract or agreement between the Participant and the Company.

#### 2 DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

**2.1 “Affiliate”** means with respect to the Company, (i) any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including without limitation, any Subsidiary, and (ii) any corporation or other entity controlling,



controlled by, or under common control with the Company, including any member of an affiliated group of which the Company is a common parent corporation or subsidiary corporation (within the meaning of Section 424 of the Code).

2.2 **“Award”** means a grant under the Plan of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, or Other Stock-Based Award.

2.3 **“Award Agreement”** means the written or electronic agreement setting forth the terms and conditions applicable to each Award. The Award Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of the Plan and any Award Agreement, the provisions of the Plan shall govern, except to the extent the Plan would be considered to provide an additional benefit as determined under Sections 409A and 424 of the Code.

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2.4 “**Benefit Arrangement**” means as defined in Section 13.

2.5 “**Board**” or “**Board of Directors**” means the board of directors of M.D.C. Holdings, Inc.

2.6 “**Business Combination**” means as defined in Section 2.8.

2.7 “**Cause**” means, as determined by the Committee and unless otherwise provided in an employment, consulting or other services agreement, if any, between the Employee and the Company or an Affiliate, (i) any willful breach of any material written policy of the Company or an Affiliate that is materially detrimental to the Company or the Affiliate; (ii) engaging in any conduct involving moral turpitude that is materially detrimental to the Company or an Affiliate, including, but not limited to, misappropriation or conversion of assets of the Company or an Affiliate (other than immaterial assets); (iii) a conviction of or entry of a plea of nolo contendere to a felony; or (iv) a material breach by the Employee of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Employee and the Company or an Affiliate. No act or failure to act by the Employee shall be deemed “willful” if done, or omitted to be done, by him or her in good faith and with the reasonable belief that his or her action or omission was in the best interest of the Company or an Affiliate.

2.8 “**Change of Control**” means and shall be deemed to have occurred upon the occurrence of:

(a) the acquisition by any individual, entity, or group (within the meaning of Sections 13(d)(3) or 14(d)(2) of the Exchange Act (a “**Person**”) of “beneficial ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors;

(b) the individual directors of the Board as of the Effective Date (the “**Incumbent Directors**”) cease to constitute at least half of the Board within a twelve-month period; provided, however, that for purposes of this paragraph, any new director whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least a of two-thirds of the Incumbent Directors at the beginning of such twelve-month period shall be considered an Incumbent Director;

(c) consummation, in one transaction or a series of related transactions, of a reorganization, merger, or consolidation of the Company or sale or other disposition, direct or indirect, of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless, following such Business Combination, the Persons who were the “beneficial owners” of outstanding voting securities of the Company immediately prior to such Business

Combination “beneficially own,” by reason of such ownership of the Company’s voting securities immediately before the Business Combination, more than 50% of the combined voting power of the company resulting from such Business Combination (including, without limitation, a company which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such Business Combination; or

(d) approval by those Persons holding the voting securities of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, solely with respect to any Award that is subject to Section 409A of the Code and payable upon a Change of Control, the term “Change of Control” shall mean an event described in one or more of the foregoing provisions of this definition, but only if it also constitutes a “change in control event” within the meaning of Treas. Reg. Section 1.409A-3(i)(5).

2.9 “**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations, interpretations, and administrative guidance issued thereunder.

2.10 “**Committee**” means the Compensation Committee of the Board or any committee designated by the Board to administer the Plan. The Compensation Committee or the Board may designate one or more subcommittees to (i) consist solely of persons who satisfy the applicable requirements of any stock exchange or national market system on which the shares of Stock may be listed, (ii) consist solely of persons who qualify as an “outside director” within the meaning of Section 162(m) of the Code, and (iii) consist solely of persons who qualify as a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Exchange Act. Notwithstanding the foregoing, the Compensation Committee or the Board may also designate one or more subcommittees that consist of persons appointed in the discretion of the Compensation Committee or the Board who are not described in (i), (ii) or (iii) of the preceding sentence.

2.11 “**Company**” means M.D.C. Holdings, Inc., a Delaware corporation.

2.12 “**Corporate Event**” means an event described in Section 14.1.

2.13 “**Disabled**” or “**Disability**” means, unless otherwise provided in an employment, consulting or other services agreement, if any, between the Participant and the Company or an Affiliate, the Participant is unable to perform each of the essential duties of such Participant’s position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; provided that, the following shall apply:

(a) With respect to rules regarding expiration of an Incentive Stock Option following termination of the Participant’s Service, Disability has the meaning set forth in Section 22(e)(3) of the Code.

(b) With respect to any Award subject to Section 409A of the Code, the Participant is: (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Participant's employer; or (iii) determined to be totally disabled by the Social Security Administration.

2.14 **“Dividend Equivalent”** means a right granted under Section 11.

2.15 **“Effective Date”** means the effective date of the Plan, which is the date the Plan was approved by the stockholders of the Company, and no Awards may be granted under the Plan after it has been in effect for ten years.

2.16 **“Employee”** means any individual who is a common-law employee of the Company or an Affiliate determined in accordance with the Company’s standard personnel policies and practices.

2.17 **“Exchange Act”** means the U.S. Securities Exchange Act of 1934, as it may be amended from time to time, or any successor act thereto.

2.18 **“Exercise Price”** means the price at which a share of Stock may be purchased pursuant to the exercise of an Option.

2.19 **“Fair Market Value”** means the value of a share of Stock as of a particular day, determined as follows: (a) the closing sale price reported for such share on the national securities exchange or national market system on which such stock is principally traded, or if no sale of shares is reported for such day, on the next preceding day on which a sale was reported, or (b) if the shares of Stock are not then listed on a national securities exchange or national market system, or the value of such shares is not otherwise determinable, such value as determined by the Committee in good faith in its sole discretion consistent with the requirements under Section 409A of the Code.

2.20 **“Family Member”** means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Participant, a trust in which any one or more of these persons (or the Participant) in the aggregate have more than fifty percent (50%) of the beneficial interest, a foundation in which any one or more of these persons (or the Participant) in the aggregate control the management of assets, and any other entity in which one or more of these persons (or the Participant) in the aggregate own more than fifty percent (50%) of the voting interests; provided, however, that to the extent required by applicable law, the term Family Member shall be limited to a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Participant or a trust or foundation for the benefit of any one or more of these persons.

2.21 **“Good Reason”** means, unless otherwise provided in an employment, consulting or other services agreement, if any, between the Employee and the Company or an Affiliate, (i) a material reduction in the Participant’s base salary, (ii) a material diminution of the Participant’s title, office, position or authority, excluding for this purpose an action not taken in bad faith and which is remedied within twenty (20) days after receipt of written notice thereof given by the Participant, (iii) the assignment to the Employee of any duties inconsistent with the Participant’s position (including status or reporting requirements), authority, or material responsibilities, or the removal of the Employee’s authority or material responsibilities, excluding for this purpose an action not taken in bad faith and which is remedied by the Company within twenty (20) days after receipt of notice thereof given by the Participant, (iv) a transfer of the Participant’s primary workplace by more than fifty (50) miles from the current workplace, or (v) a material breach of any term of any employment, consulting or other services agreement, if any, between the Employee and the Company or an Affiliate by the Company which is not remedied within twenty (20) days after receipt of written notice thereof given by the Participant.

2.22 **“Grant Date”** means, as determined by the Committee, the latest to occur of (i) the date on which the Committee approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 5, or (iii) such other date as may be specified by the Committee in the Award Agreement.

2.23 **“Grant Price”** means the per share exercise price of a Stock Appreciation Right granted to a Participant under Section 7.

2.24 **“Incentive Stock Option”** means an Option to purchase shares of Stock designated as an Incentive Stock Option that is intended to meet the requirements of Section 422 of the Code.

2.25 **“Incumbent Directors”** means as defined in Section 2.8.

2.26 **“Minimum Statutory Withholding”** means as defined in Section 12.

2.27 **“Non-Qualified Stock Option”** means any Option other than an Incentive Stock Option.

2.28 **“Option”** means an option to purchase one or more shares of Stock at a stated or formula price for a specified period of time. An Option granted under the Plan shall be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.29 **“Other Agreement”** means as defined in Section 13.

2.30 **“Other Stock-Based Award”** means an Award that is granted to a Participant under Section 10.

2.31 **“Parachute Payment”** means as defined in Section 13.

2.32 **“Participant”** means any eligible Employee who at the sole discretion of the Committee is granted an Award under the Plan.



2.33 ***“Person”*** means as defined in Section 2.8.

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2.34 **“Plan”** means this M.D.C. Holdings, Inc. 2011 Equity Incentive Plan, as amended from time to time.

2.35 **“Restricted Stock”** means an Award of shares of Stock granted under Section 8.

2.36 **“Restricted Stock Unit”** or **“RSU”** means a bookkeeping entry representing the equivalent of shares of Stock granted under Section 8.

2.37 **“Restriction Period”** means the period during which Restricted Stock and Restricted Stock Units are subject to a substantial risk of forfeiture (based upon the passage of time, the achievement of performance goals or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Sections 8.3 and 8.4.

2.38 **“Securities Act”** means the U.S. Securities Act of 1933, as it may be amended from time to time, or any successor act thereto.

2.39 **“Service”** means service as an Employee of the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Participant’s change in position or duties shall not result in interrupted or terminated Service, so long as such Participant continues to be a Employee of the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Committee, which determination shall be final, binding and conclusive. Notwithstanding the foregoing, solely with respect to any Award that is subject to Section 409A of the Code and payable upon a termination of Service, a Participant shall be considered to have terminated Service with the Company or an Affiliate only when the Participant incurs a “separation from service” with respect to the Company or an Affiliate within the meaning of Section 409A(a)(2)(A)(i) of the Code.

2.40 **“Stock”** or **“Common Stock”** means a share of M.D.C. Holdings, Inc., common stock, \$0.01 par value per share.

2.41 **“Stock Appreciation Right”** or **“SAR”** means an Award granted under Section 7.

2.42 **“Subsidiary”** means any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code.

2.43 **“Substitute Awards”** means Awards granted in substitution for, or in assumption of, outstanding awards previously granted by an entity acquired by the Company or a Subsidiary or an Affiliate or with which the Company or Subsidiary or Affiliate combines. The terms and conditions of any Substituted Awards shall comply with the requirements for substitutions of awards made in connection with a corporate transaction or certain other adjustments that are not treated as modifications under Treas. Reg. Section 1.424-1 and Section 409A of the Code, as applicable.

### 3 PLAN ADMINISTRATION

3.1 **General.** The Plan shall be administered by the Committee, which shall have full power and authority to take all actions and to make all determinations as are required or permitted under the Plan. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the eligible individuals described in Section 5, determine the Awards to be made pursuant to the Plan, or shares of Stock to be issued thereunder and the time at which such Awards are to be made, fix the Option Price (or Grant Price), period and manner in which an Option (or Stock Appreciation Right) becomes exercisable, establish the duration and nature of Restricted Stock or Restricted Stock Unit restrictions, establish the terms and conditions applicable to, and establish such other terms and requirements of the various compensation incentives under the Plan as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form of the Award Agreements with Participants that shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Awards granted pursuant to the Plan, which provisions need not be identical except as may be provided herein. The Committee may amend, modify, or supplement the terms of any outstanding Award including, but not limited to, amending an Award or exercising discretion under an Award or under the Plan to: (i) accelerate the date on which an Award becomes vested, exercisable, or transferable, (ii) extend the term of any Award, including the period following the termination of the Participant's Service to the Company during which the Award shall remain outstanding, (iii) waive any conditions with regard to vesting, exercisability, or transferability of an Award, and (iv) recognize differences in local law, tax policy, or custom with regard to Awards made to foreign nations or individuals who are employed outside the United States. Notwithstanding the foregoing, no amendment or modification may be made to an outstanding Option or Stock Appreciation Right that (i) causes the Option or Stock Appreciation Right to become subject to Section 409A of the Code, (ii) reduces the Exercise Price or Grant Price, either by lowering the Exercise Price or Grant Price or by canceling the outstanding Option or Stock Appreciation Right and granting a replacement Option or Stock Appreciation Right with a lower Exercise Price or Grant Price, or (iii) would be treated as a repricing under the rules of the exchange upon which shares of Stock of the Company trade, without, with respect to item (i), the Participant's written prior approval, and with respect to items (ii) and (iii), without the approval of the stockholders of the Company, provided, that appropriate adjustments may be made to outstanding Options and Stock Appreciation Rights pursuant to Section 14.

As a condition to any Award, the Committee shall have the right, at its discretion, to require Participants to return to the Company Awards previously granted under the Plan. Subject to the terms and conditions of the Plan, any such subsequent Award shall be upon such terms and conditions as are specified by the Committee at the time the new Award is granted. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Participant on account of actions taken by the Participant in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Participant. Furthermore, the Committee may annul an Award if the Participant is an employee of the Company or an Affiliate thereof and is terminated for Cause as defined in the applicable Award Agreement or the Plan, as applicable.

The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award Agreement entered into hereunder in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. The determinations, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

**3.2 Delegation by the Committee.** The Committee may, from time to time, delegate, to specified officers of the Company, the power and authority to grant or document Awards under the Plan to specified groups of eligible individuals, subject to such restrictions and conditions as the Committee, in its sole discretion, may impose. The delegation shall be as broad or as narrow as the Committee shall determine. To the extent that the Committee has delegated the authority to determine certain terms and conditions of an Award, all references in the Plan to the Committee's exercise of authority in determining such terms and conditions shall be construed to include the officer or officers to whom the Committee has delegated the power and authority to make such determination. However, any delegation (a) shall not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company, and there shall be no delegation of authority to grant awards to any Section 16 person, (b) will not cause Awards intended to qualify as "performance-based" compensation under Code Section 162(m) to fail to so qualify, (c) will not result in a related-person transaction with an executive officer required to be disclosed under Item 404(a) of Regulation S-K (in accordance with Instruction 5.a.ii thereunder) under the Exchange Act and (d) shall be permitted under Section 157 and other applicable provisions of the Delaware General Corporation Law.

**3.3 Limitations on Authority.** The Committee shall, in exercising its discretion under the Plan, comply with all contractual and legal obligations of the Company or the Committee in effect from time to time, whether contained in the Company's charter, bylaws, or other binding contract, or in the Compensation Committee's charter, or in applicable law.

**3.4 Deferral Arrangement.** The Committee may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish in accordance with Section 409A of the Code, which may include provisions for the payment or crediting of interest or Dividend Equivalents, including converting such credits into deferred Stock units.

**3.5 No Liability.** No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award or any Award Agreement.

**3.6 Book Entry.** Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of electronic or other forms of book-entry including, but not limited to, uncertificated forms maintained electronically.



#### **4 STOCK SUBJECT TO THE PLAN**

4.1 **Number of Shares.** Subject to adjustment as provided in Section 14, the maximum number of shares of Stock available for issuance under the Plan shall be 9,568,478 shares. Subject to adjustment as provided in Section 14, 9,568,478 shares of Stock available for issuance under the Plan shall be available for issuance pursuant to Incentive Stock Options. Such maximum numbers may be increased from time to time by approval of the Board and by the stockholders of the Company if, in the opinion of counsel for the Company, stockholder approval is required. Stock issued or to be issued under the Plan shall be authorized but unissued shares; or, to the extent permitted by applicable law, issued shares that have been reacquired by the Company.

4.2 **Individual Award Limits.** 4.3 Subject to adjustment as provided in Section 14, the maximum number or value of shares of Stock that may be covered by an Award granted under the Plan (other than Substitute Awards) to a single Participant in any calendar year shall not exceed the shares of Stock available for issuance under the Plan under Section 4.1.

4.3 **Share Counting.** The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem Awards) and make adjustments in accordance with Section 14. If the Exercise Price of any Option granted under the Plan, or if pursuant to Section 12 the tax withholding obligation of any Participant with respect to an Option or other Award, is satisfied by tendering shares of Stock to the Company or by withholding shares of Stock, the number of shares of Stock issued net of the shares of Stock tendered or withheld shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. To the extent that an Award under the Plan is canceled, expired, forfeited, settled in cash, settled by issuance of fewer shares than the number underlying the Award, or otherwise terminated without delivery of shares to the Participant, the shares of Stock retained or returned to the Company will also be available under the Plan.

#### **5 ELIGIBILITY AND PARTICIPATION**

Subject to the provisions of this Plan, the Committee may, from time to time, select from all Employees of the Company or an Affiliate to whom Awards shall be granted; *provided, however*, to the extent required under Section 409A of the Code, an Affiliate of the Company shall include only an entity in which the Company possesses at least twenty percent (20%) of the total combined voting power of the entity's outstanding voting securities or such other threshold ownership percentage permitted or required under Section 409A of the Code. An Employee may receive more than one Award, subject to such restrictions as are provided herein.

#### **6 STOCK OPTIONS**

6.1 ***Grant of Options.*** Subject to the provisions of this Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that Incentive Stock Options may be granted only to eligible Employees of the Company or of any parent corporation or subsidiary corporation (as permitted by Section 422 of the Code).



6.2 **Award Agreement.** Each Option granted under the Plan shall be evidenced by an Award Agreement that shall specify the Exercise Price, the number of shares of Stock covered by the Option, the maximum term of the Option, the conditions upon which an Option shall become vested and exercisable and such other provisions as the Committee shall determine, consistent with the terms of the Plan. The Award Agreement shall specify whether the Option is intended to be an Incentive Stock Option or a Non-Qualified Stock Option.

(a) **Exercise Price.** The Exercise Price for each Option shall be as determined by the Committee and shall be specified in the Award Agreement. The Exercise Price shall be: not less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the Grant Date; *provided, however*, that the foregoing minimum Exercise Price shall not apply to Substitute Awards. In no case shall the Exercise Price of any Option be less than the par value of a share of Stock.

(b) **Number of Shares.** Each Award Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(c) **Term.** Each Option shall terminate as set forth in the Award Agreement and all rights to purchase shares of Stock shall expire at such time as the Committee shall determine at the time of grant; *provided, however*, no Option shall be exercisable later than the tenth (10<sup>th</sup>) anniversary of the Grant Date.

(d) **Restrictions on Exercise.** The Award Agreement shall set forth any installment or other restrictions on exercise of the Option during the term of the Option. Each Option shall become exercisable and shall vest over such period of time, or upon such events, as determined by the Committee.

6.3 **Exercise of Option.**

(a) **Manner of Exercise.** An Option granted hereunder shall be exercised, in whole or in part, by providing written or electronic notice, on a form provided by the Company, to an employee as designated by the Company, specifying the number of shares of Stock to be purchased and accompanied by full payment of the Exercise Price for the shares and satisfaction of any tax withholding requirements.

(b) **Payment.** A condition to the issuance or other delivery of shares of Stock as to which an Option shall be exercised shall be the payment of the Exercise Price and satisfaction of any tax withholding requirements. The Exercise Price of an Option shall be payable to the Company in full, in any method permitted under the Award Agreement, including: (i) in cash or in cash equivalents acceptable to the Company; (ii) by tendering unrestricted

shares of Stock already owned by the Participant (for at least six (6) months or such other period as may be required by the Committee in order to comply with applicable law and to avoid adverse accounting consequences) on the date of surrender to the extent the shares of Stock have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the shares as to which such Option shall be exercised, provided that, in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant, (iii) any other method approved or accepted by the Committee in its sole discretion, including, but not limited to a cashless (broker-assisted) exercise (although limitations might apply to certain executive officers), or (iv) any combination of the foregoing. Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

(c) **Delivery of Shares.** Promptly after the exercise of an Option by a Participant and the payment in full of the Exercise Price, such Participant shall be entitled to the issuance of certificates evidencing such Participant's ownership of the shares of Stock purchased upon exercise of the Option. Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of certificates through the use of electronic or other forms of book-entry.

6.4 **Termination of Service.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's Service. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

6.5 **Limitations on Incentive Stock Options.**

(a) **Initial Exercise.** The aggregate Fair Market Value of the shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant in any calendar year, under the Plan or otherwise, shall not exceed \$100,000. For this purpose, the Fair Market Value of the shares of Stock shall be determined as of the Grant Date and each Incentive Stock Option shall be taken into account in the order granted.

(b) **Ten Percent Stockholders.** An Incentive Stock Option granted to a Participant who is the holder of record of more than ten percent (10%) of the combined voting power of all classes of stock of the Company shall have an Exercise Price at least equal to one hundred and ten percent (110%) of the Fair Market Value of a share of Stock on the Grant Date of the Option and the term of the Option shall not exceed five (5) years.

(c) **Notification of Disqualifying Disposition.** If any Participant shall make any disposition of shares of Stock acquired pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), the Participant shall notify the Company of such disposition within ten (10) days thereof.

(d) **Limitations on Exercise.** No Incentive Stock Option shall be exercisable as an Incentive Stock Option more than three (3) months after the Participant ceases to be an Employee for any reason other than death or Disability, or more than one (1) year after the Participant ceases to be an Employee due to death or Disability.

6.6 **Transferability.** Except as provided in Section 6.7, during the lifetime of a Participant, only the Participant (or, in the event of legal incapacity or incompetency, the Participant's guardian or legal representative) may exercise an

Option. Except as provided in Section 6.7, no Option shall be assignable or transferable by the Participant to whom it is granted, other than by will or the laws of descent and distribution.

6.7 **Family Transfers.** If authorized in the applicable Award Agreement, a Participant may transfer, not for value, all or part of an Option to any Family Member. For the purpose of this Section 6.7, a “not for value” transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless applicable law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. Following a transfer under this Section 6.7, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Participant in accordance with this Section 6.7 or by will or the laws of descent and distribution. The events of termination of Service under an Option shall continue to be applied with respect to the original Participant, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in the applicable Award Agreement.

6.8 **Rights of Holders of Options.** Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder of the Company (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the shares of Stock) until the shares of Stock covered thereby are fully paid and issued to such individual. Except as provided in Section 14 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

## 7 STOCK APPRECIATION RIGHTS

7.1 **Grant of Stock Appreciation Rights.** Subject to the provisions of this Plan, Stock Appreciation Rights may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant freestanding Stock Appreciation Rights, Stock Appreciation Rights that are granted in tandem with an Option, or any combination thereof.

7.2 **Award Agreement.** Each Stock Appreciation Right shall be evidenced by an Award Agreement that shall specify the Grant Price, the number of shares of Stock covered by the Stock Appreciation Right, the maximum duration of the Stock Appreciation Right, the conditions upon which the Stock Appreciation Right shall become vested and exercisable and such other provisions as the Committee shall determine, consistent with the terms of the Plan.

(a) **Grant Price.** The Grant Price for each Stock Appreciation Right shall be determined by the Committee and shall be specified in the Award Agreement. Other than with respect to Substitute Awards, the Grant Price shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the Grant Date of the Stock Appreciation Right.

(b) **Number of Shares.** Each Award Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(c) **Term.** Each Stock Appreciation Right shall terminate and all rights with respect to the Stock Appreciation Right shall expire at such time as the Committee shall determine at the time of grant; *provided, however*, no Stock Appreciation Rights shall be exercisable later than the tenth (10<sup>th</sup>) anniversary of the Grant Date.

(d) **Restrictions on Exercise.** The Award Agreement shall set forth any installment or other restrictions on exercise of the Stock Appreciation Right during its term. Each Stock Appreciation Right shall become exercisable and shall vest over such period of time, or upon such events, as determined by the Committee (including based on achievement of performance goals or future service requirements).

7.3 **Exercise of Stock Appreciation Right.** A Participant desiring to exercise a Stock Appreciation Right shall give written or electronic notice, on a form provided by the Company, of such exercise to the Company with the information the Company deems reasonably necessary to exercise the Stock Appreciation Right. If a Stock Appreciation Right is issued in tandem with an Option, except as may otherwise be provided by the Committee, the Stock Appreciation Right shall be exercisable during the period that its related Option is exercisable. Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a share of Stock on the date of exercise over the Grant Price; by

(b) The number of shares of Stock with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Committee, the payment upon exercise may be in cash, shares of Stock or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination as to the form of settlement shall be set forth in the Award Agreement.

7.4 **Effect of Exercise.** If a Stock Appreciation Right is issued in tandem with an Option, the exercise of the Stock Appreciation Right or the related Option will result in an equal reduction in the number of corresponding shares of Stock subject to the Option or Stock Appreciation Right that were granted in tandem with such Stock Appreciation Right and Option.

7.5 **Termination of Service.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's Service. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Stock Appreciation Rights issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service. Any Stock Appreciation Right issued in tandem with an Option shall be exercisable following termination of the Participant's Service to the same extent that its related Option is exercisable following the Participant's termination of Service.

7.6 ***Transferability.*** A Stock Appreciation Right shall only be transferable upon the same terms and conditions with respect to transferability as are specified in Sections 6.6 and 6.7 with respect to Options.



## **8 RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

8.1 ***Grant of Restricted Stock or Restricted Stock Units.*** Subject to the provisions of this Plan, the Committee at any time and from time to time, may grant shares of Restricted Stock or Restricted Stock Units to Participants in such amounts as the Committee shall determine.

8.2 ***Award Agreement.*** Each grant of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Restriction Period, the number of shares of Restricted Stock or the number of Restricted Stock Units granted and such other provisions as the Committee shall determine.

8.3 ***Restrictions on Transfer.*** Except as provided in this Plan or an Award Agreement, the shares of Restricted Stock and Restricted Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the Restriction Period established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction or any other conditions, as specified by the Committee, in its sole discretion. All rights with respect to the Restricted Stock or Restricted Stock Units granted to a Participant shall be available during his or her lifetime only to such Participant, except as otherwise provided in an Award Agreement or at any time by the Committee.

8.4 ***Forfeiture; Other Restrictions.*** The Committee shall impose such other conditions and restrictions on any shares of Restricted Stock or Restricted Stock Units as it may deem advisable including a requirement that the Participant pay a specified amount to purchase each share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions or restrictions under applicable laws or under the requirements of any stock exchange or market upon which shares of Stock are then listed or traded, or holding requirements or sale restrictions placed on the shares of Stock by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

8.5 ***Restricted Stock Units.*** A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement. Restricted Stock Units may be settled in cash or Stock, as determined by the Committee and set forth in the Award Agreement.

8.6 ***Termination of Service.*** Unless otherwise provided by the Committee in the applicable Award Agreement, upon the termination of a Participant's Service with the Company or an Affiliate, any shares of Restricted Stock or Restricted Stock Units held by such Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited, and the Participant shall have no further rights with respect to such Awards, including but not limited to any right to vote Restricted Stock or any right to receive dividends or Dividend Equivalents with respect to Restricted Stock or Restricted Stock Units.



8.7 ***Stockholder Privileges.*** Unless otherwise determined by the Committee and set forth in the Award Agreement:

(a) A Participant holding shares of Restricted Stock shall generally have the rights of stockholder to vote the shares or Restricted Stock during the Restriction Period. The Committee may provide in an Award Agreement that the holder of such Restricted Stock shall be entitled to receive ordinary cash dividends actually paid with respect to the Restricted Stock in accordance with Section 11.

(b) A Participant holding Restricted Stock Units shall have no rights of a stockholder of the Company with respect to the Restricted Stock Units. The Committee may provide in an Award Agreement that the holder of such Restricted Stock Units shall be entitled to receive Dividend Equivalents in accordance with Section 11.

## **9 QUALIFIED PERFORMANCE BASED COMPENSATION**

9.1 ***Grant or Vesting of Award Subject to Objective Performance Goals.*** The Committee may, in its discretion, condition the grant, vesting, or payment of an Award on the attainment of one or more pre-established objective performance goals, in accordance with the “qualified performance based compensation” exception to Code Section 162(m) and the requirements of Sections 9.2, 9.3 and 9.4 of this Plan. For the avoidance of doubt, the Committee may also, in its discretion, condition the grant, vesting, or payment of an Award on the attainment of one or more pre-established objective performance goals which are not intended to qualify for the “qualified performance based compensation” exception to Code Section 162(m) and which are not required to comply with the requirements of Sections 9.2, 9.3 and 9.4 of this Plan.

9.2 ***Establishment of Performance Goals.*** All performance goals established pursuant to this Article 9 shall be objective and shall be established by the Committee within 90 days after the beginning of the period of service to which the performance goal relates (and in no event after passage of more than 25% of the period to which the performance goal relates). Performance goals may include alternate and multiple goals and shall be based on one or more of the following criteria: (a) total shareholder return; (b) return on assets, return on equity, or return on capital employed; (c) measures of profitability such as earnings per share, corporate or business-unit net income, net income before extraordinary or one-time items, earnings before interest and taxes, or earnings before interest, taxes, depreciation and amortization; (d) cash flow from operations; (e) gross or net revenues or gross or net margins; (f) levels of operating expense or other expense items reported on the income statement; (g) measures of customer satisfaction and customer service; (h) safety; (i) annual or multi-year average production growth; (j) efficiency or productivity measures such as annual or multi-year absolute or per-unit operating and maintenance costs; (k) satisfactory completion of a major project or organizational initiative with specific criteria set in advance by the Committee; (l) debt ratios or other measures of credit quality or liquidity; (m) strategic asset sales or acquisitions in compliance with specific criteria set in advance by the Committee; (n) sales and marketing measures, such as annual or multi-year “net-back” sales or the introduction of new products in accordance with specific goals set in advance by the Committee; (o) staffing and retention and (p) any criteria stated in the stockholder approved 2013 Executive

Officer Performance-Based Compensation Plan (as amended). The performance goals applicable to a particular Award shall be set forth by the Committee in the Award Agreement for such Award.

9.3 ***Achievement of Performance Goals.*** The Committee shall certify in writing prior to the grant, vesting, or payment of any Award that the applicable performance goals have been satisfied. Except as may otherwise be provided herein or as may otherwise be contained in the Award Agreement (which provisions shall comply with Section 162(m)), in the event that the performance goals are not satisfied, the Award shall not be granted or become vested or payable, as applicable.

9.4 ***Committee to Comply with Section 162(m).*** Notwithstanding anything to the contrary herein, the “Committee,” for purposes of this Section 9, shall consist solely of two or more persons who qualify as “outside directors” within the meaning of Section 162(m) of the Code.

## **10 OTHER STOCK-BASED AWARDS**

From time to time during the duration of this Plan, the Committee may, in its sole discretion, adopt one or more incentive compensation arrangements for Participants pursuant to which the Participants may (i) acquire shares of Stock under the Plan, whether by purchase, outright grant, or otherwise, or (ii) receive an Award, whether payable in cash or in Stock, the value of which is determined, in whole or in part, based on the value of Common Stock. Any such arrangements shall be subject to the general provisions of this Plan and all cash payments or shares of Stock issued pursuant to such arrangements shall be made under this Plan.

## **11 DIVIDENDS AND DIVIDEND EQUIVALENTS**

Subject to the terms of the Plan and any applicable Award Agreement, a Participant shall, if so determined by the Committee, be entitled to receive, currently, or on a deferred basis, dividends or Dividend Equivalents, with respect to the shares of Stock covered by the Award. The Committee may provide that any dividends paid on shares of Stock subject to an Award must be reinvested in additional shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to the Award. Notwithstanding the award of Dividend Equivalents or dividends, a Participant shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt. All distributions, if any, received by a Participant with respect to an Award as a result of any split, Stock dividend, combination of shares of Stock, or other similar transaction shall be subject to the restrictions applicable to the original Award.

## **12 TAX WITHHOLDING**

The Company or any Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Participant any federal, state, or local taxes, domestic or foreign, of any kind required by law with respect to the vesting of or other lapse of restrictions applicable to Awards or upon the issuance of any shares of Stock or payment of any kind upon the exercise of any Options or Stock Appreciation Rights. At the time of such vesting,

lapse, payment, or exercise, the Participant shall pay to the Company or Affiliate, as the case may be, any amount that the Company or Affiliate may reasonably determine to be necessary to satisfy such withholding obligation.

Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Participant may elect to have shares of Stock withheld or to deliver shares to satisfy the minimum statutory withholding rates for federal, state and local income taxes and employment taxes that are applicable to supplemental taxable income (“**Minimum Statutory Withholding**”) obligations. The Participant may elect to satisfy Minimum Statutory Withholding obligations, in whole or in part, (i) by causing the Company or the Affiliate to withhold shares of Stock otherwise issuable to the Participant or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Participant (for at least six (6) months or such other period as may be required by the Committee in order to comply with applicable law and to avoid adverse accounting consequences). The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value not in excess of such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Committee as of the date that the amount of tax to be withheld is to be determined. A Participant who has made an election pursuant to this Section 12 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

### **13 PARACHUTE LIMITATIONS**

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Participant with the Company or any Affiliate, except an agreement, contract, or understanding that expressly or impliedly modifies or excludes application of this Section 13 (an “**Other Agreement**”), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Participant (including groups or classes of participants or beneficiaries of which the Participant is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Participant (a “**Benefit Arrangement**”), if the Participant is a “disqualified individual,” as defined in Section 280G(c) of the Code, any Awards held by that Participant and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Participant under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Participant under this Plan to be considered a “parachute payment” within the meaning of Section 280G(b)(2) of the Code as then in effect (a “**Parachute Payment**”) and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Participant from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Participant without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Participant under any Other Agreement or any Benefit Arrangement would cause the Participant to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Participant as described in clause (ii) of the preceding sentence, then the Committee shall have the right, in its sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements to be reduced or eliminated so as to avoid having the payment or benefit to the Participant under this Plan be deemed to be a Parachute Payment.

## 14 EFFECT OF CHANGES IN CAPITALIZATION

14.1 **Changes in Stock.** The maximum number of shares of Stock for which Awards may be made under the Plan as set forth in Section 4.1 shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any recapitalization, reclassification, split, reverse split, combination, exchange, dividend or other distribution payable in shares of Stock, or for any other increase or decrease in such shares of Stock effected without receipt of consideration by the Company occurring after the Effective Date (any such event hereafter referred to as a “*Corporate Event*”). In addition, subject to the exception set forth in the second sentence of Section 14.4, the number and kind of shares for which Awards are outstanding shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any Corporate Event. Any such adjustment in outstanding Options or Stock Appreciation Rights shall not increase the aggregate Exercise Price or Grant Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or Stock Appreciation Right, as applicable, and the adjustment shall comply with the requirements under Section 409A of the Code. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company’s stockholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in stock of the Company) without receipt of consideration by the Company, the Company shall proportionately adjust (i) the number and kind of shares subject to outstanding Awards and/or (ii) the Exercise Price per share of outstanding Options and the Grant Price of outstanding Stock Appreciation Rights to reflect such distribution. Notwithstanding the foregoing, upon the occurrence of any event or transaction contemplated in this Section 14.1, any changes contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

14.2 **Change of Control.** Subject to the exception set forth in the second sentence of Section 14.4, and except as otherwise provided in any other agreement, contract, or understanding heretofore or hereafter entered into by a Participant with the Company or any Affiliate, upon a Change of Control, the Committee in its discretion may take any of the following actions with respect to non-vested Awards as of the date of the Change of Control: (i) provide that any or all such outstanding Awards shall be fully vested, exercisable, and/or payable regardless of whether all vesting conditions relating to length of service, attainment of performance goals, or otherwise have been satisfied; (ii) provide that any or all such outstanding Awards shall become fully vested, exercisable, and/or payable if, within a reasonable period of time not to exceed 18 months after the consummation of a Change of Control, a Participant’s Service is terminated by either the Company, an Affiliate or a successor in interest to the Company or an Affiliate without Cause or by the Participant for Good Reason; or (iii) take such further actions, if any, as it deems necessary or desirable with respect to any Awards, including, without limitation, providing that such Awards are fully vested, exercisable and/or payable. The Committee need not take the same action with respect to all outstanding Awards or to all outstanding Awards of the same type.



**14.3 *Reorganization in Which the Company Is the Surviving Entity and in Which No Change of Control Occurs.*** Subject to the exception set forth in the second sentence of Section 14.4, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities and in which no Change of Control occurs, any Award theretofore made pursuant to the Plan shall pertain to and apply solely to the securities to which a holder of the number of securities subject to such Award would have been entitled immediately following such reorganization, merger, or consolidation, and, in the case of Options and Stock Appreciation Rights, with a corresponding proportionate adjustment of the Exercise Price or Grant Price per share so that the aggregate Exercise Price or Grant Price thereafter shall be the same as the aggregate Exercise Price or Grant Price of the shares of Stock remaining subject to the Option or Stock Appreciation Right immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing any other Award, any restrictions applicable to such Award shall apply as well to any replacement shares of Stock received by the Participant as a result of the reorganization, merger or consolidation. Notwithstanding the foregoing, upon the occurrence of any event or transaction contemplated in this Section 14.3, any changes contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

**14.4 *Adjustment.*** Adjustments under Section 14 related to shares of Stock or securities of the Company shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. The Committee may provide in the Award Agreements at the time of Award, or any time thereafter with the consent of the Participant, for different provisions to apply to an Award in place of those described in Sections 14.1, 14.2 and 14.3. Notwithstanding the foregoing, any different provisions or changes to provisions contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

**14.5 *No Limitations on the Company.*** The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

## **15 REQUIREMENTS OF LAW**

**15.1 *General.*** The Company shall not be required to issue or sell any shares of Stock under any Award if the issuance or sale of such shares would constitute a violation by the Participant, any other individual exercising an Option or Stock Appreciation Right, or the Company of any provisions of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares of Stock hereunder, no shares of Stock may be issued or sold to the Participant or any other individual exercising an Option or Stock Appreciation Right pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination

of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to issue or sell such shares of Stock unless the Committee has received evidence satisfactory to it that the Participant or any other individual exercising an Option may acquire such shares of Stock pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance or sale of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

15.2 **Rule 16b-3.** During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Committee, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Committee may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

## 16 GENERAL PROVISIONS

16.1 **Disclaimer of Rights.** No provision in the Plan, in any Award or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company or any Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

16.2 **Nontransferability of Awards.** Except as provided in Sections 6.6, 6.7, and 7.6 or otherwise at the time of grant or thereafter, no right or interest of any Participant in an Award granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy, except pursuant to a domestic relations order in settlement of marital property rights. In the event of a Participant's death, a Participant's rights and interests in Awards shall only be transferable by will or the laws of descent and distribution to the extent provided under this Plan, and payment of any amounts due thereunder shall be made to, and exercise of any Option or Stock Appreciation Right may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is unable to care for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

16.3 ***Changes in Accounting or Tax Rules.*** Except as provided otherwise at the time an Award is granted, notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the financial or tax accounting rules applicable to any Award shall occur which, in the sole judgment of the Committee, may have a material adverse effect on the reported earnings, assets or liabilities of the Company, the Committee shall have the right and power to modify as necessary, any then outstanding and unexercised Options, Stock Appreciation Rights and other outstanding Awards as to which the applicable rules or other restrictions have not been satisfied.

16.4 ***Nonexclusivity of the Plan.*** The adoption of the Plan shall not be construed as creating any limitations upon the right and authority of the Committee to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Committee in its discretion determines desirable.

16.5 ***Captions.*** The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

16.6 ***Other Award Agreement Provisions.*** Each Award Agreement may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Committee, in its sole discretion.

16.7 ***Other Employee Benefits.*** The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option or Stock Appreciation Right, the sale of Shares received upon such exercise, the vesting of any Restricted Stock, distributions with respect to Restricted Stock Units, or Other Stock-Based Awards shall not constitute “earnings” or “compensation” with respect to which any other employee benefits of such employee are determined, including without limitation, benefits under any pension, profit sharing, 401(k), life insurance or salary continuation plan, except as may be specifically be provided otherwise under the terms of such other employee benefit plan or program.

16.8 **Severability.** If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

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

16.10 **Section 409A.** Notwithstanding anything in this Plan to the contrary, the Plan and Awards made under the Plan are intended to comply with the requirements imposed by Section 409A of the Code. If any Plan provision or Award under the Plan would result in the imposition of an additional tax under Section 409A of the Code, the Company and the Participant intend that the Plan provision or Award will be reformed to avoid imposition, to the extent possible, of the applicable tax and no action taken to comply with Section 409A of the Code shall be deemed to adversely affect the Participant's rights to an Award. The Participant further agrees that the Committee, in the exercise of its sole discretion and without the consent of the Participant, may amend or modify an Award in any manner and delay the payment of any amounts payable pursuant to an Award to the minimum extent necessary to meet the requirements of Section 409A of the Code as the Committee deems appropriate or desirable. Subject to any other restrictions or limitations contained herein, in the event that a "specified employee" (as defined under Section 409A of the Code) becomes entitled to a payment under the Plan that is subject to Section 409A of the Code on account of a "separation of service" (as defined under Section 409A of the Code), such payment shall not occur until the date that is six months plus one day from the date of such "separation from service." Any amount that is otherwise payable within the six (6) month period described herein will be aggregated and paid in a lump sum amount without interest.

## 17 AMENDMENT, MODIFICATION AND TERMINATION

17.1 **Amendment, Modification, and Termination.** Subject to Sections 3.2, 16.10 and 17.2, the Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the stockholders of the Company if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

17.2 **Awards Previously Granted.** Except as otherwise may be required under Section 16.10, notwithstanding Section 17.1 to the contrary, no amendment, modification or termination of the Plan or Award Agreement shall adversely affect in any material way any previously granted Award, without the written consent of the Participant holding such Award.



**18 STOCKHOLDER APPROVAL; EFFECTIVE DATE OF PLAN**

The Plan shall be effective as of the Effective Date, which is the date the Plan was approved by the stockholders of the Company.

**19 DURATION**

Unless sooner terminated by the Board, this Plan shall terminate automatically 10 years from the Effective Date. After the Plan is terminated, no Awards may be granted. Awards outstanding at the time the Plan is terminated shall remain outstanding in accordance with the terms and conditions of the Plan and the Award Agreement.

**20EXECUTION**

To record adoption of the Plan by the Board as of January 24, 2011, the Company has caused its authorized officer to execute the Plan.

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

By: /s/ Michael Touff

Date: March 1, 2011

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