



Social & Environmental Statement

ENVIRONMENT

In order to maintain our tradition of building attractive, affordable and desirable homes, we must be focused on preserving the integrity and quality of our local neighborhoods. Quality communities have a wide variety of housing options, good schools, recreation, public facilities, wildlife and open areas, and a healthy environment. Our efforts to conduct our operations in an environmentally sound fashion can be seen in several ways:

- The Company will only buy property that has endured a comprehensive environmental assessment that we find to be acceptable. These assessments are conducted by third-party inspectors to determine whether the property is subject to any environmental conditions or hazardous substances that may be harmful to the health of our homebuyers.
- All proposed land acquisitions must be approved by our Asset Management Committee, which consists of three subcommittees composed of members of our senior management. This committee reviews the details of the proposed acquisition, including an environmental assessment of the transaction. Transactions exceeding higher thresholds are reviewed by an executive committee of senior officers and the Board of Directors.
- Our stringent land acquisition procedures help minimize our need to purchase insurance policies relating to potential environmental impact (although sometimes our sellers require such coverage, regardless of the environmental assessment.)
- Detailed soil tests are conducted on the land we acquire in order to determine what type of home foundations or basements are feasible and structurally appropriate. This information also helps us assess conditions that could pose a threat to the home or its foundation, such as elevated groundwater, corrosive soils or soil gases.
- If there are wetlands on property we acquire, we work with government agencies so that our activities minimize any impact on the wetlands and that, as appropriate, wetlands are restored in that location or elsewhere.
- MDC, like other homebuilders, also plays an important role in the conservation of animals, plants, fish and insects listed under the Endangered Species Act. We perform biological impact and other ecological tests, as appropriate, to determine the proximity of endangered species to our communities. Species that we protect include: Preble's meadow jumping mouse, burrowing owl, Mexican spotted owl, black-tailed prairie dog, boreal toad, swift fox, southwestern willow flycatcher and many others.

Likewise, we expect our suppliers to uphold high standards of environmental performance. We require that all products and services comply with all applicable environmental, health, safety and employment laws and regulations. Our lumber suppliers abide by established environmental policies and management systems and provide independent certification of their performance.

HEALTH AND SAFETY

MDC has an excellent safety record that speaks for itself. In 2003, the U.S. Occupational Safety and Health Administration (OSHA) designated Richmond American Homes as one of only three "Master Builders" after we successfully completed their rigorous job site safety evaluation. OSHA concluded that our Company has an excellent safety and health program, has well-trained supervisors and laborers and is in compliance with OSHA standards.

Not only does this Master Builder designation represent governmental recognition of industry excellence, but it also underscores the Company's commitment to employee and worker safety and health, which we view both as an obligation and as sound business practice. Examples of our safety practices follow:

- MDC maintains a job site Safety Policy. Every Superintendent is trained on this policy and is responsible for guarding against infractions on his or her job site. If an incident does occur, the superintendent is required to report it to the appropriate authorities in the Company.
- Our Company also has a policy to provide for the safety and security of all employees, customers, visitors and Company property. Acts or threats of violence, including intimidation, harassment or coercion, which involve or affect the Company or which occur on Company property or during the course of the Company's business are not tolerated.

- In order to perform tasks for the Company, subcontractors must supply us with their written safety program as part of the bid process. This means that they cannot perform work or provide any materials to us until their written safety program is delivered. They must adhere to all health and safety policies of the Company, including but not limited to, standards set by OSHA, which requires a 10-hour training session for every subcontractor.
- Subcontractors and suppliers also must designate in writing a person present at the job site capable of identifying and correcting unsafe hazards. They must conduct training sessions for employees on hazardous substances at the site or involved in the work itself, and must supply Material Safety Data Sheets on the job site. Subcontractors and suppliers must immediately notify the Company of any reportable incidents and of any changes in their safety program.
- The Company's number of worker compensation claims filed is very low and our workers compensation policy is fully insured.

COMMUNITY

Enhancing the quality of the communities in which we build is critically important to our long-term success. We work to buy finished lots, which are more expensive because the initial development and entitlement phases - which include environmental impact reviews - have already been completed. Thus, the viewpoint of the community is already reflected in the status and development of the land. For example, local planning commissions often develop highly detailed plans for a particular parcel of land. During this planning phase, citizens have an opportunity to voice their support or opinions. Once we take ownership of the land, we must follow very specific guidelines for the community, encompassing such considerations as number of homes built per acre, architectural styles and types of homes, and open space requirements.

In addition, for years MDC has employed tight controls that govern the selection of areas in which we build. We carefully scrutinize every land acquisition opportunity before committing resources. For example, every project we undertake involves providing for adequate public facilities, scaled to meet the demands of our community of homebuyers. We work with the appropriate municipality or the developer to be in compliance with the requirements for the community. This may include the payment of impact fees to support schools, sewer and water taps and other requirements to mitigate the impact on existing facilities.

When we look to expand our presence in a particular community, we frequently work with neighboring homeowners associations to obtain their support and suggestions. These opinions are factored in to our plans for continued development, and help us to foster harmonious relationships.

We are proud of the fact that our homes are well-received by developers and municipalities nationwide. Due to this success, other homebuilders often ask us to join them in building new communities.

PRODUCT QUALITY

MDC's reputation has been built on providing high-quality homes that are designed to meet our customers' needs, and our actions are guided by this principle. One of the top priorities of our Company-wide training program is the development of employee skills and practices that help achieve customer satisfaction.

Similarly, we have systems in place to achieve the fine quality of our homes and to see that our homes are delivered to our homebuyers in accordance with our high standards. To achieve this, we closely monitor the development, design, material selection and construction processes. For example:

- Our construction superintendents conduct frequent and often daily inspections of every home under construction in their community to monitor compliance with our safety and quality standards.
- We retain independent inspectors in many markets to assist with our quality assurance program. In many cases, these inspectors are the original geotechnical or structural engineers. These professionals ensure that their designs and recommendations are being followed by our subcontractors.
- Products and materials are selected for their quality, durability and value. We strive to offer quality products at competitive prices, and we maintain relationships with many national and regional manufacturers that assist us in product selection and integration within the home.
- Our homebuyers conduct walk-throughs of their new homes prior to closing and move-in and are provided with a thorough orientation of the various features and aspects of their homes. These walk-throughs are conducted at various stages of construction so that the homebuyer can be assured that their selected features and options are correctly located.

- Outstanding issues or concerns identified by the homebuyer during the walk-through are remedied before closing. Called "Richmond American Ready," this program results in highly satisfied homeowners at move-in, and reduces our warranty expenses.

We provide affordable housing at all income levels, starting at just over \$100,000 for a first-time buyer to almost \$2 million, all in a variety of markets, helping to achieve the long-term sustainability of a community. Our objective is for every home, regardless of price, to be delivered with the same dedication to quality and homebuyer satisfaction.

SMART GROWTH

As builders of the American Dream, it is our responsibility to plan for the growth that comes with economic prosperity. Since we began building homes in 1977, our Company has practiced sustainable development by following smart growth strategies. We monitor market trends so that we only build in areas where people want to live, focusing on available amenities.

Before we enter any particular community, we first assess whether the neighborhood provides for a high-quality lifestyle that Richmond American homeowners have come to expect. If it's not a community that we can be proud of, we won't build there.

In particular, our growth strategies promote strong communities that incorporate education, recreation, shopping, open space preservation and community services such as hospitals, roads, water and sewer facilities and other infrastructure. The public facilities in our communities have the capacity to support our homebuyers in the years to come.

As the industry has evolved, we have learned that the builders who will survive are those with the competencies, expertise and professionalism to navigate the myriad of challenges. Smart growth principles place a premium on, and allow us to capitalize on, these abilities, while building desirable housing for American families.

SUSTAINABLE FORESTRY

As a major purchaser of wood, MDC specifies wood species that are not only cost-effective for our business and our homebuyers, but that often are from new and high-growth forests or harvested from tree farms specifically designated for homebuilders. Our wood varieties typically are new softwoods and our firs often come from inland areas of the western U.S., not the coastal areas that are populated by endangered redwoods and other species. The Company does not purchase exotic or old-growth woods. Further, hardwoods used for floors and cabinetry usually are American or Canadian oak, maple, hickory and cherry.

MDC's lumber suppliers are the leading building products companies and include Louisiana Pacific, Boise Cascade, Georgia Pacific and Weyerhaeuser. These companies are recognized for their proactive stance toward protecting old-growth forests and ensuring the long-term sustainability of the world's forests.

Moreover, a significant percentage of wood products used in the structure of each home are of the engineered or manufactured type, such as oriented strand board, which is a cost-effective, environmentally conscious alternative. Other composite products and assemblies are continually being evaluated, all to help ensure the long-term sustainability of the environment.