DRH CAMBRIDGE HOMES LLC
Form 424B5
January 30, 2013
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Filed pursuant to Rule 424(b)(5)
SEC File No. 333-184065

The information in this preliminary prospectus supplement and accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated January 30, 2013

Preliminary prospectus supplement

To Prospectus dated September 24, 2012

D.R. Horton, Inc.

$300,000,000 % Senior Notes due 2020

$400,000,000 % Senior Notes due 2025

The Company

We are one of the largest homebuilding companies in the United States. We construct and sell homes through our operating divisions in 26 states and 77 markets of the United States, primarily under the name of D.R. Horton, America s Builder.

We are offering $300,000,000 aggregate principal amount of our % senior notes due 2020 (the 2020 notes) and $400,000,000 aggregate principal amount of our % senior notes due 2025 (the 2025 notes, and together with the 2020 notes, the notes, and each a series of notes).

The notes

The 2020 notes will mature on , 2020 and the 2025 notes will mature on , 2025. The notes will pay interest semi-annually in cash in arrears on and of each year, beginning on , 2013. The 2020 notes will accrue interest at the rate of % per annum and the 2025 notes will accrue interest at a rate of % per annum.

On the closing date of this offering, the notes will be guaranteed by substantially all of our homebuilding subsidiaries. The notes and the respective guarantees will be senior unsecured obligations. The notes will rank equally in right of payment with all of our other senior indebtedness, including our revolving credit facility, and senior to any future indebtedness that is expressly subordinated in right of payment to the notes. The guarantees will rank equally with all existing and future unsecured and unsubordinated indebtedness of the guarantors, including their guarantees of our other senior notes and our revolving credit facility.

We may redeem the notes of each series at any time at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the make whole premium for such series of notes; provided that there will be no make whole premium for a redemption of notes of any series within three months of the final maturity of such series of notes. In addition, upon the occurrence of both a Change of Control and a Ratings Downgrade Event (each as defined in Description of notes), subject to certain exceptions, we will make an offer to each holder to purchase all or any part of that holder s notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest to the date of purchase. See Description of notes Certain covenants Repurchase of notes upon Change of Control Triggering Event.

Use of proceeds

We intend to use the net proceeds of this offering for general corporate purposes.

Investing in the notes involves risks. See Risk factors beginning on page S-11 of this prospectus supplement.

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

	2020 notes		**2025 notes**	
	Per note	**Total**	**Per note**	**Total**
Public offering price(1)	%	$	%	$
Underwriting discounts and commissions	%	$	%	$
Proceeds, before expenses, to D.R. Horton, Inc.(1)	%	$	%	$

(1) Plus accrued interest, if any, from , 2013.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about , 2013.

Joint book-running managers

J.P. Morgan **Citigroup** **Deutsche Bank Securities** **RBS** **UBS Investment Bank** **Wells Fargo Securities**

The date of this prospectus supplement is January , 2013

We have not, and the underwriters have not, authorized anyone to provide you with any different information or to make any representation that is different from, or in addition to, the information contained in this prospectus supplement and the accompanying prospectus, any documents incorporated by reference in this prospectus supplement or the accompanying prospectus and any free writing prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus, or the information contained in any document incorporated by reference in this prospectus supplement or the accompanying prospectus, is accurate as of any date other than the date of each such document, unless the information specifically indicates that another date applies.

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Prospectus supplement

Prospectus dated September 24, 2012

The distribution of this prospectus supplement and the accompanying prospectus may be restricted by law in certain jurisdictions. You should inform yourself about and observe any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

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About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the notes. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. If the information about the offering of the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. For information about the notes, see Description of notes in this prospectus supplement. When we refer to this document, we mean this prospectus supplement and the accompanying prospectus, unless the context otherwise requires.

Before you invest in the notes, you should read the registration statement of which this document forms a part and this document, including the documents incorporated by reference herein that are described under the heading Incorporation by reference. Any statement made in this prospectus supplement or the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference therein will be deemed to be modified or superseded for purposes of this prospectus supplement or the accompanying prospectus to the extent that a statement contained in this prospectus supplement or the accompanying prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus supplement or the accompanying prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

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Incorporation by reference

The Securities and Exchange Commission (the SEC) allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any information that is superseded by information that is included directly in this or another document.

This prospectus supplement and the accompanying prospectus incorporate by reference the documents listed below that we have filed with the SEC but have not been included or delivered with this document. These documents contain important information about us and our business, prospects and financial condition.

Filing	Period or date filed
Annual Report on Form 10-K	Year ended September 30, 2012
Quarterly Report on Form 10-Q	Quarter ended December 31, 2012
Current Reports on Form 8-K	November 5, 2012
	November 15, 2012
	December 7, 2012
	January 25, 2013

The information set forth under the captions Proposal One Election of Directors, Corporate Governance and Board Matters, Beneficial Ownership of Common Stock, Executive Compensation, Certain Relationships and Related Person Transactions, Independent Registered Public Accountants, Section 16(a) Beneficial Ownership Reporting Compliance and Requesting Documents from the Company in our proxy statement relating to our January 24, 2013 annual meeting of stockholders and incorporated into our annual report on Form 10-K for the fiscal year ended September 30, 2012.

We also incorporate by reference any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, between the date of this prospectus supplement and the termination of the offering of the securities. These additional documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (other than information furnished and not filed by us under any item of any current report on Form 8-K, including the related exhibits, which is deemed not to be incorporated by reference in this prospectus supplement or the accompanying prospectus), as well as proxy statements (other than information identified in them as not incorporated by reference in any filing under the Securities Act of 1933). You should review these filings as they may disclose changes in our business, prospects, financial condition or other affairs after the date of this prospectus supplement. The information that we file later with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and before the termination of this offering will automatically update and supersede previous information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

You can obtain any of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in this prospectus supplement and the accompanying prospectus, by requesting them in writing or by telephone from us at the following address:

Investor Relations

D.R. Horton, Inc.

301 Commerce Street, Suite 500

Fort Worth, Texas 76102

(817) 390-8200

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Forward-looking statements

Some of the statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus may be construed as forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management s beliefs as well as assumptions made by, and information currently available to, management. These forward-looking statements typically include the words anticipate, believe, consider, estimate, expect, forecast, goal, intend, objective, plan, predict, projection, seek, words of similar meaning. Any or all of the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus may not approximate actual experience, and the expectations derived from them may not be realized, due to risks, uncertainties and other factors. As a result, actual results may differ materially from the expectations or results we discuss in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

potential deterioration in homebuilding industry conditions and the current weak U.S. economy;

the cyclical nature of the homebuilding industry and changes in general economic, real estate and other conditions;

constriction of the credit markets, which could limit our ability to access capital and increase our costs of capital;

reductions in the availability of mortgage financing and the liquidity provided by government-sponsored enterprises, the effects of government programs, a decrease in our ability to sell mortgage loans on attractive terms or an increase in mortgage interest rates;

the risks associated with our land and lot inventory;

home warranty and construction defect claims;

supply shortages and other risks for acquiring land, building materials and skilled labor;

reductions in the availability of performance bonds;

increases in the costs of owning a home;

the effects of governmental regulations and environmental matters on our homebuilding operations;

the effects of governmental regulation on our financial services operations;

our debt obligations and our ability to comply with related debt covenants, restrictions and limitations;

competitive conditions within the homebuilding and financial services industries;

our ability to effect any future growth strategies successfully;

the impact of an inflationary or deflationary environment;

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our ability to realize the full amount of our deferred income tax asset; and

information technology failures and data security breaches.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports incorporated by reference in this prospectus supplement and the accompanying prospectus should be consulted. Additional information about issues that could lead to material changes in performance and risk factors that have the potential to affect us is contained in this prospectus supplement, and in our annual report on Form 10-K for the fiscal year ended September 30, 2012 and our quarterly report on Form 10-Q for the quarter ended December 31, 2012, including the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are filed with the SEC. See Incorporation by reference.

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Summary

This is only a summary of the offering. To fully understand an investment in the notes, you must consider this prospectus supplement, the accompanying prospectus and the detailed information incorporated by reference into them, including the financial statements and their accompanying notes.

For purposes of this prospectus supplement, unless we have indicated otherwise or the context otherwise requires, the terms the Company, we, our or like terms refer to D.R. Horton, Inc., a Delaware corporation, and its predecessors and subsidiaries.

D.R. Horton, Inc.

D.R. Horton, Inc. is one of the largest homebuilding companies in the United States. We construct and sell homes through our operating divisions in 26 states and 77 markets of the United States, primarily under the name of D.R. Horton, America s Builder. Our homes generally range in size from 1,000 to 4,000 square feet and in price from $100,000 to $600,000. For the year ended September 30, 2012, we closed 18,890 homes with an average closing sales price of approximately $223,300. For the three months ended December 31, 2012, we closed 5,182 homes with an average closing sales price of approximately $236,100.

Through our financial services operations, we provide mortgage financing and title agency services to homebuyers in many of our homebuilding markets. DHI Mortgage, our 100% owned subsidiary, provides mortgage financing services principally to our homebuilding customers and generally sells the mortgages it originates and the related servicing rights to third-party purchasers. DHI Mortgage originates loans in accordance with purchaser guidelines and historically has sold most of its mortgage production within 30 days of origination. Our subsidiary title companies serve as title insurance agents by providing title insurance policies, examination and closing services, primarily to our homebuilding customers.

Our financial reporting segments consist of six homebuilding segments and a financial services segment. Our homebuilding operations are the most substantial part of our business, comprising approximately 97% of consolidated revenues of $4.4 billion and $1.3 billion for the year ended September 30, 2012 and for the three months ended December 31, 2012, respectively. Our homebuilding operations generate most of their revenues from the sale of completed homes, with a lesser amount from the sale of land and lots. In addition to building traditional single-family detached homes, we also build attached homes, such as town homes, duplexes, triplexes and condominiums. The sale of detached homes generated approximately 90% of home sales revenues for the year ended September 30, 2012 and 92% of home sales revenues for the three months ended December 31, 2012. Our financial services segment generates its revenues from originating and selling mortgages and collecting fees for title insurance agency and closing services.

For more information about our business, please refer to the Business section in our most recent annual report on Form 10-K filed with the SEC and incorporated by reference in this prospectus supplement and the Management s Discussion and Analysis of Financial Condition and Results of Operations sections of our most recent annual report on Form 10-K and quarterly reports on Form 10-Q filed with the SEC and incorporated by reference in this prospectus supplement.

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Our principal executive offices are located at 301 Commerce Street, Suite 500, Fort Worth, Texas 76102. Our telephone number is (817) 390-8200, and our Internet website address is *www.drhorton.com*. Information on or connected to our Internet website is not a part of this prospectus supplement.

Recent developments

Revolving credit facility amendment

On November 1, 2012, we increased the committed capacity under our five-year senior unsecured revolving credit facility, which we refer to in this prospectus supplement as our revolving credit facility, from $125 million to $600 million and also increased the uncommitted accordion feature under the revolving credit facility to allow for a future increase in size to $1 billion, subject to certain conditions and availability of additional commitments.

Cash dividends

In November 2012, our board of directors declared a quarterly cash dividend of $0.0375 per common share, paid on December 17, 2012 to stockholders of record on December 3, 2012. A dividend of the same amount was declared and paid in the comparable quarter of the prior year.

In December 2012, our board of directors declared a cash dividend of $0.15 per common share, paid on December 21, 2012 to stockholders of record on December 17, 2012. The dividend was in lieu of and accelerated the payment of all quarterly dividends that we would have otherwise paid in calendar year 2013.

Current industry conditions

In our first quarter of fiscal 2013, demand for new homes has continued to improve in most of our operating markets. The number and value of our net sales orders increased 39% and 60%, respectively, compared to the first quarter of fiscal 2012. Revenues from home sales increased 38% to $1.2 billion compared to $884.3 million in the prior year. The average selling price of our homes closed increased 10% and our gross margins on homes closed increased by 200 basis points as compared to the prior year, primarily because the increase in demand for new homes has allowed us to increase sales prices or reduce sales incentives in many of our communities. Pre-tax income was $107.9 million in the current quarter compared to $29.2 million in the prior year quarter. These results reflect the improvement in market conditions from the prior year and the effects of our strategy of investing capital to expand and improve the profitability of our operations, managing inventory levels efficiently and controlling SG&A (selling, general and administrative expenses) and interest costs.

Our recent results and other national data indicate that the overall demand for new homes has continued to improve. However, both national new home sales and our company s home sales remain below historical levels due to the current weak U.S. economic conditions, the restrictive mortgage lending environment and variations in local housing market conditions. Until there is a more robust U.S. economic recovery, we expect national demand for new homes to remain below historical levels, with uneven improvement across our operating markets.

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We believe our business is well-positioned to continue benefiting from a housing recovery due to our strong balance sheet and liquidity, our finished lot and land position, our inventory of available homes and our broad geographic operating base, which have allowed us to profitably grow our operations. We increased our investments in land, lot and home inventories by more than $800 million during the first quarter of fiscal 2013 in response to the increased demand for our homes and improved market conditions and we will continue to adjust our business strategies based on housing demand in each of our markets. Nevertheless, our future results could be negatively impacted by weakening economic conditions, decreases in the level of employment, a significant increase in mortgage interest rates or further tightening of mortgage lending standards.

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The offering

The summary below describes the principal terms of the notes and the guarantees. Many of the terms and conditions described below are subject to important limitations and exceptions. For a more complete understanding of this offering and the terms and conditions of the notes and guarantees, we encourage you to read this entire prospectus supplement and the accompanying prospectus, including the sections of this prospectus supplement entitled Risk factors and Description of notes.

Issuer	D.R. Horton, Inc., a Delaware corporation.
Securities offered	$300,000,000 aggregate principal amount of our % senior notes due 2020.
	$400,000,000 aggregate principal amount of our % senior notes due 2025.
Maturity dates	The 2020 notes will mature on , 2020.
	The 2025 notes will mature on , 2025.
Interest payment dates	Interest on the notes will be payable semi-annually in arrears on and , beginning on , 2013, and will be payable to holders of record at the close of business on the or immediately preceding the interest payment date (whether or not a business day).
Optional redemption	We may redeem all or a portion of the notes, at our option, at any time or from time to time. If we redeem the notes of any series at any time prior to the date that is three months prior to the final maturity of the notes of such series, the redemption price will equal the greater of: (1) 100% of the principal amount of the notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed (other than interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury rate plus 50 basis points (0.50%), plus accrued and unpaid interest on the notes to the redemption date. If we redeem the notes of any series within three months of the final maturity of the notes of such series, the redemption price will equal 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest on the notes to the redemption date. See Description of notes Optional redemption.
Guarantees	On the closing date of this offering, the notes will be guaranteed by substantially all of our homebuilding subsidiaries. Any of our subsidiaries will be required to guarantee the notes if it guarantees any of our other publicly traded debt securities with an outstanding

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principal amount of $50 million or more or our indebtedness under our revolving credit facility or any future credit facilities with commitments or outstandings in excess of $50 million. Our subsidiaries engaged in the financial services segment or in the insurance, energy or mineral business do not currently guarantee the notes. If we cannot make payments on the notes when they are due, the guarantor subsidiaries must make them.

Ranking

The notes are our general obligations and will not be secured by any collateral. Your right to payment under the notes will be:

- effectively junior to the rights of our secured creditors to the extent of the value of their security in our assets;
- equal with the rights of creditors under any other unsecured unsubordinated debt, including our revolving credit facility; and
- senior to the rights of creditors under any future debt that is expressly subordinated to these notes.

The guarantees will also not be secured by any collateral. Your right to payment under any guarantee will be:

- effectively junior to the rights of secured creditors to the extent of the value of their security in the guarantors assets;
- equal with the rights of creditors under the guarantors other unsecured unsubordinated debt, including our revolving credit facility; and
- senior to the rights of creditors under any of the guarantors future debt that is expressly subordinated to the guarantees.

The notes will be structurally subordinated to the indebtedness and liabilities of our non-guarantor subsidiaries.

At December 31, 2012, D.R. Horton, Inc. and the guarantors had approximately $2,424.3 million of debt outstanding. Of this debt, $15.2 million was secured debt and $2,409.1 million was unsubordinated unsecured debt that will rank equally with the notes being offered by this prospectus supplement. In addition, at such date, our non-guarantor subsidiaries had approximately $169.4 million of debt outstanding.

Form and denomination

Each series of notes will be represented by one or more global notes. The global notes will be deposited with the trustee, as custodian for The Depository Trust Company, or DTC.

Ownership of beneficial interests in the global notes will be shown on, and transfers of such interests will be effected only through, records

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	maintained in book-entry form by DTC and its direct and indirect participants, including the depositaries for Clearstream Banking Luxembourg, or Euroclear Bank S.A./N.V., as operator of the Euroclear System.
Covenants	We will issue the notes under an indenture as supplemented by a separate supplemental indenture for each series of notes. We refer to the indenture, as supplemented, as the indenture as to each series of notes. The indenture, among other things, restricts our ability and the ability of the guarantors to: incur debt secured by certain assets; engage in sale and leaseback transactions with respect to certain assets; and engage in mergers, consolidations or sales of all or substantially all of our assets. These covenants are subject to important exceptions and qualifications, which are described in the section Description of notes under the heading Certain covenants.
Change of Control Triggering Event	Upon the occurrence of both a Change of Control and a Ratings Downgrade Event (each as defined in Description of notes), subject to certain exceptions, we will make an offer to each holder to purchase all or any part of that holder s notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest to the date of purchase. See Description of notes Certain covenants Repurchase of notes upon Change of Control Triggering Event.
United States federal income tax consequences	For certain United States federal income tax consequences of the acquisition and disposition of the notes, see Certain United States federal income tax consequences.
Absence of public trading market	Each series of the notes will be a new issue of securities for which there is currently no market. We do not intend to apply for the notes to be listed on any securities exchange or to arrange for any quotation system to quote them. Accordingly, there can be no assurance that a liquid market for the notes will develop or be maintained. See Risk factors.
Use of proceeds	The net proceeds from this offering of notes will be approximately $ million after deducting the estimated underwriting discount

	and commissions and offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes. For more details, see Use of proceeds.
Risk factors	See Risk factors beginning on page S-11 and other information included or incorporated by reference in this prospectus supplement for a discussion of the factors you should consider carefully before deciding to invest in the notes being offered by this prospectus supplement.

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Summary consolidated financial information and operating data

The following summary consolidated financial information for the five years ended September 30, 2012 is derived from our audited consolidated financial statements, except as described in the footnotes below. The following summary consolidated financial information for the three months ended December 31, 2012 and 2011 is derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. The data should be read in conjunction with the consolidated financial statements, related notes, Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information incorporated by reference into this prospectus supplement. These historical results are not necessarily indicative of the results to be expected in the future. Interim results for the current year are not necessarily indicative of the results that may be expected for the entire year.

	Three months ended December 31,		Year ended September 30,				
(Dollars in millions)	2012	2011	2012	2011	2010	2009	2008
Statement of operations data:							
Revenues:							
Home sales	$ 1,223.3	$ 884.3	$ 4,218.4	$ 3,542.3	$ 4,302.3	$ 3,563.6	$ 6,164.3
Land/lot sales and other	9.9	1.3	17.8	7.3	7.4	40.3	354.3
Total homebuilding	1,233.2	885.6	4,236.2	3,549.6	4,309.7	3,603.9	6,518.6
Financial services	41.9	21.0	117.8	87.2	90.5	53.7	127.5
Gross profit home sales	230.5	148.7	745.5	571.3	744.0	467.5	691.2
Inventory impairments and land option cost write-offs	1.3	1.4	6.2	45.4	64.7	407.7	2,484.5
Gross profit (loss) homebuilding	230.9	148.6	743.8	526.3	682.1	65.2	(1,763.2)
Income (loss) before income taxes:							
Homebuilding	90.2	25.0	203.7	(7.0)	78.1	(541.3)	(2,666.9)
Financial services	17.7	4.2	39.2	19.1	21.4	(15.5)	35.1
Income tax expense (benefit)	41.6	1.5	(713.4)	(59.7)	(145.6)	(7.0)	1.8
Net income (loss)	66.3	27.7	956.3	71.8	245.1	(549.8)	(2,633.6)
Selected operating data:							
Gross profit margin home sales	18.8%	16.8%	17.7%	16.1%	17.3%	13.1%	11.2%
Gross profit margin homebuilding	18.7%	16.8%	17.6%	14.8%	15.8%	1.8%	(27.0)%
Number of homes closed	5,182	4,118	18,890	16,695	20,875	16,703	26,396
Net sales orders (homes)(1)	5,259	3,794	21,048	17,421	19,375	17,034	21,251
Net sales orders ($ value)(1)	$ 1,314.1	$ 823.2	$ 4,803.3	$ 3,727.6	$ 4,011.0	$ 3,498.4	$ 4,677.2
Sales order backlog at end of period (homes)(2)	7,317	4,530	7,240	4,854	4,128	5,628	5,297
Sales order backlog at end of period ($ value)(2)	$ 1,758.7	$ 975.0	$ 1,667.9	$ 1,036.2	$ 850.8	$ 1,142.0	$ 1,207.4

(see footnotes on following page)

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(In millions)	Three months ended December 31, 2012	2011	Year ended September 30, 2012	2011	2010	2009	2008
Other financial data:							
Net cash (used in) provided by operating activities(3)	$ (656.5)	$ (1.7)	$ (293.4)	$ 18.9	$ 715.4	$ 1,147.8	$ 1,877.9
Net cash provided by (used in) investing activities(3)	152.2	(2.4)	(143.0)	(23.3)	(324.0)	(66.0)	(4.6)
Net cash provided by (used in) financing activities	23.5	9.6	751.5	(572.3)	(1,039.4)	(511.8)	(755.6)
Interest expensed:							
Expensed directly	4.2	7.8	26.9	51.9	88.2	101.7	42.7
Amortized to cost of sales	24.9	20.4	94.0	90.8	122.1	122.8	227.9
Depreciation and amortization	4.8	5.0	18.8	19.9	18.4	25.7	53.2
Interest incurred(4)	38.1	28.8	124.1	131.6	175.1	206.5	240.4

(In millions)	As of December 31, 2012	As of September 30, 2012	2011	2010	2009	2008
Balance sheet data:						
Cash and cash equivalents and marketable securities	$ 663.6	$ 1,345.7	$ 1,030.2	$ 1,607.0	$ 1,957.3	$ 1,387.3
Inventories	5,015.1	4,165.2	3,449.7	3,449.0	3,666.7	4,683.2
Total assets	7,347.3	7,248.2	5,358.4	5,938.6	6,756.8	7,950.6
Notes payable(5)	2,593.7	2,493.1	1,704.6	2,171.8	3,145.3	3,748.4
Total equity	3,613.1	3,594.7	2,623.5	2,622.9	2,400.6	2,864.8

(1) Represents homes placed under contract during the period, net of cancellations.

(2) Represents homes under contract but not yet closed at the end of the period, many of which are subject to contingencies, including mortgage loan approval. A portion of the contracts in backlog will not result in closings, principally due to cancellations. We cannot assure you that homes subject to pending sales contracts will close.

(3) Amounts as reflected herein for the three-months ended December 31, 2011 have been revised from amounts previously presented. See Note A in the Company s Form 10-Q for the period ended December 31, 2012 incorporated by reference herein for a discussion of the impact on the three-months ended December 31, 2011. Amounts for the years ended September 30, 2012, 2011, 2010, 2009 and 2008 have been corrected to reflect a $4.7 million, $4.0 million, $6.0 million, $6.6 million and $1.4 million, respectively, use of cash previously reflected in operating activities to cash used in investing activities related to the net principal increase of other mortgage loans and real estate owned.

(4) Interest incurred consists of all interest costs, whether expensed or capitalized, including amortization of debt issuance costs.

(5) Includes both homebuilding notes payable and the amount outstanding on our mortgage repurchase facility.

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Ratio of earnings to fixed charges

The following table sets forth our ratio of earnings to fixed charges for the three months ended December 31, 2012 and for the five years ended September 30, 2012:

	Three months ended December 31, 2012	Year ended September 30,				
		2012	2011	2010	2009	2008
Ratio of earnings to fixed charges(1)(2)	3.52x	2.86x	1.18x	1.75x		

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income, including distributions received from equity investments, before income taxes, interest expensed, interest amortized to cost of sales and income attributable to noncontrolling interests. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest.

(2) Earnings for fiscal years ended September 30, 2009 and 2008 were insufficient to cover fixed charges for the periods by $528.1 million and $2,454.3 million, respectively.

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Risk factors

Investing in the notes involves risks. Our business is influenced by many factors that are difficult to predict and beyond our control and that involve uncertainties that may materially affect our results of operations, financial condition or cash flows, or the value of the notes. These risks and uncertainties include those described in the risk factors and other sections of the documents that are incorporated by reference in this prospectus supplement. You should carefully consider these risks and uncertainties and all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before you invest in the notes.

Risks related to the notes

We have substantial amounts of consolidated debt and may incur additional debt; our debt obligations and our ability to comply with related covenants, restrictions or limitations could adversely affect our financial condition.

As of December 31, 2012, our consolidated debt was $2,593.7 million. We have $1,140.2 million principal amount of our debt maturing before the end of fiscal 2014, of which $500 million is in the form of convertible senior notes that will mature on May 15, 2014 and are convertible into approximately 38.6 million shares of our common stock at a conversion price of $12.96 per share. The indenture governing the notes and the indentures governing our existing senior and convertible senior notes do not restrict the incurrence of future unsecured debt by us or our homebuilding subsidiaries or the incurrence of secured or unsecured debt by our financial services subsidiaries, and the agreement governing our revolving credit facility allows us to incur a substantial amount of future unsecured debt. Such instruments also permit us and our homebuilding subsidiaries to incur significant amounts of additional secured debt.

Possible consequences. The amount and the maturities of our debt could have important consequences. For example, they could:

- require us to dedicate a substantial portion of our cash flow from operations to payment of our debt and reduce our ability to use our cash flow for other operating or investing purposes;
- limit our flexibility in planning for, or reacting to, the changes in our business;
- limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements or other requirements;
- place us at a competitive disadvantage because we have more debt than some of our competitors; and
- make us more vulnerable to downturns in our business or general economic conditions.

In addition, the magnitude of our debt and the restrictions imposed by the instruments governing these obligations expose us to additional risks, including:

Dependence on future performance. Our ability to meet our debt service and other obligations, including our obligations under the notes and the financial covenants under our revolving credit facility, will depend, in part, upon our future financial performance. Our future results are subject to the risks and uncertainties described in this prospectus supplement and the documents incorporated herein. Our revenues and earnings vary with the level of general economic activity in the markets we serve. Our businesses are also affected by financial, political, business and other factors, many of which are beyond our control. The factors that affect our ability to generate cash can also affect our ability to raise additional funds for these purposes through the sale of debt or equity, the refinancing of debt, or the sale of assets. Changes in prevailing interest rates may affect our ability to meet our debt service obligations, because borrowings under our revolving credit facility and mortgage repurchase facility bear interest at floating rates.

Revolving credit facility. Our revolving credit facility contains financial covenants requiring the maintenance of a minimum level of tangible net worth, a maximum allowable ratio of debt to tangible net worth and a borrowing base restriction if our ratio of debt to tangible net worth exceeds a certain level. A failure to comply with these requirements could allow the lending bank to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity.

Mortgage repurchase facility and other restrictions. The mortgage repurchase facility for our mortgage subsidiary requires the maintenance of a minimum level of tangible net worth, a maximum allowable ratio of debt to tangible net worth and a minimum level of liquidity by our mortgage subsidiary. A failure to comply with these requirements could allow the lending bank to terminate the availability of funds to the financial services subsidiaries or cause their debt to become due and payable prior to maturity. Any difficulty experienced in complying with these covenants could make the renewal of the facility more difficult or costly.

In addition, although our financial services business is conducted through subsidiaries that are not restricted by the indenture governing the terms of the notes and our other existing indentures, the ability of our financial services subsidiaries to provide funds to our homebuilding operations would be restricted in the event such distribution of funds would cause an event of default under the mortgage repurchase facility or if an event of default had occurred under this facility. Moreover, our right to receive assets from these subsidiaries upon their liquidation or recapitalization will be subject to the prior claims of the creditors of these subsidiaries. Any claims we may have to funds from this segment would be subordinate to subsidiary indebtedness to the extent of any security for such indebtedness and to any indebtedness otherwise recognized as senior to our claims.

The indenture governing the terms of the notes and our other indentures governing our existing senior notes impose restrictions on the ability of the Company and the guarantors to incur debt secured by certain assets.

Changes in debt ratings. Our existing senior unsecured debt is currently rated below investment grade. Any lowering of our debt ratings could make accessing the public capital markets or obtaining additional credit from banks more difficult and/or more expensive.

Change of control purchase options and change of control default. If both a Change of Control and a Ratings Downgrade Event (each as defined in Description of notes) occur, subject to certain exceptions, we will be required to offer to repurchase the notes at 101% of their principal amount, together with accrued and unpaid interest, if any. If a change of control occurs as defined in the indentures governing $455.5 million principal amount of our existing senior notes as of December 31, 2012, we would be required to offer to purchase such notes at 101% of their principal amount, together with all accrued and unpaid interest, if any. In addition, upon the occurrence of both a change of control and a ratings downgrade event, each as defined in the indenture governing our 4.75% senior notes due 2017 and our 4.375% senior notes due 2022, we will be required in certain circumstances to offer to repurchase such notes at 101% of

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their principal amount, together with all accrued and unpaid interest, if any. If a fundamental change, including a change of control, occurs as defined in the indenture governing our convertible senior notes, which constituted $500 million principal amount as of December 31, 2012, we would be required to offer to purchase such notes at par, together with all accrued and unpaid interest, if any. Moreover, a change of control (as defined in the revolving credit facility) would constitute an event of default under the revolving credit facility, which could result in the acceleration of any borrowings outstanding under our revolving credit facility, a requirement to cash collateralize all letters of credit outstanding thereunder and the termination of the commitments thereunder. If more than $50 million outstanding under the revolving credit facility were accelerated and such acceleration were not rescinded within 30 days, an event of default would result under the indenture and the indentures governing our existing senior notes, entitling holders of at least 25 percent in principal amount of the relevant series of notes then outstanding by notice to the us and the trustee, to declare all such notes to be due and payable immediately. If purchase offers were required under the indentures for such notes or the borrowings under our revolving credit facility debt or the notes or other senior notes were accelerated, we can give no assurance that we would have sufficient funds to pay the amounts that we would be required to purchase.

The indenture for the notes may not provide protection against events or developments that may affect our ability to repay the notes or the trading prices for the notes.

The indenture governing the notes contains a covenant limiting the ability of the Company and the guarantors to incur liens on their assets to secure indebtedness or engage in sale and leaseback transactions, in each case, without equally and ratably securing the notes. This limitation is subject to a number of important exceptions.

The indenture does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in the event that we experience material adverse changes in our financial condition or results of operations;

- limit the ability of the Company or any of its subsidiaries to incur indebtedness;

- restrict our ability to pay dividends, prepay indebtedness ranking junior to the notes or make investments; or

- restrict our ability to engage in any acquisition or other transaction, other than our ability to merge or consolidate with, or sell all or substantially all of our assets to, another person without the surviving or transferring person (if other than the Company) assuming the obligations under the notes.

For these reasons, you should not consider the covenants in the indenture as a significant factor in evaluating whether to invest in the notes.

We may not be able to purchase the notes upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event (as defined in Description of notes), subject to certain exceptions, we will make an offer to each holder of notes to purchase all or any part of such holder s notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. If we experience a Change of Control Triggering Event, we cannot assure you that we would have sufficient financial resources

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available to satisfy our obligations to purchase the notes. Our failure to purchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could result in defaults under our other debt agreements and have material adverse consequences for us and the holders of the notes. See Description of notes Certain covenants Repurchase of notes upon Change of Control Triggering Event.

The terms of the indenture and the notes provide only limited protection against significant corporate events that could affect adversely your investment in the notes.

While the indenture and the notes contain terms intended to provide protection to holders upon the occurrence of certain events involving significant corporate transactions and our creditworthiness, these terms are limited and may not be sufficient to protect your investment in the notes. As described under Description of notes Certain covenants Repurchase of notes upon Change of Control Triggering Event, upon the occurrence of a Change of Control Triggering Event, subject to certain exceptions, we will make an offer to each holder of notes to purchase all or any part of such holder s notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. However, the definition of the term Change of Control Triggering Event is limited and does not cover a variety of transactions (such as acquisitions by us or recapitalizations) that could negatively affect the value of your notes, including a Change of Control not accompanied by a Ratings Downgrade Event. If we were to enter into a significant corporate transaction that negatively affects the value of the notes, but would not constitute a Change of Control Triggering Event, we would not be required to make an offer to purchase the notes prior to their maturity, which also would adversely affect your investment.

Your right to receive payments on the notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the notes will be unsecured. Although we had only $15.2 million in secured indebtedness as of December 31, 2012, the indenture governing the notes, the indentures governing our existing senior and convertible senior notes and the agreement governing our revolving credit facility permit us to incur significant amounts of additional secured debt. In addition, the terms of the revolving credit facility permit us to obtain cash collateralized letters of credit in an amount up to 50% of the amount of the revolving credit facility. If we default under any present or future secured indebtedness, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets securing such indebtedness to the exclusion of holders of the notes, even if an event of default exists under the indenture governing the notes at such time. In any such event, because the notes will not be secured by any of our assets, it is possible that there would be no assets remaining from which payments could be made on the notes or, if any assets remained, they might be insufficient to satisfy fully our obligations under the notes. Additionally, in the event of our bankruptcy, liquidation, reorganization or other winding up, assets that secure debt will be available to pay obligations on the notes only after all debt secured by those assets has been repaid in full.

We may invest or spend the net proceeds of this offering in ways with which you may not agree or in ways that may not earn a profit.

We intend to use the net proceeds of this offering for general corporate purposes. These purposes could include investments in land, housing inventory or other operating assets,

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payment of operating expenses, acquisitions of businesses, repayment or repurchase of other debt, purchases of other investments or the payment of other expenses. However, we will retain broad discretion over the use of the net proceeds from this offering. You may not agree with the ways we decide to use these proceeds, and our use of the proceeds may not yield any profits.

The notes will be structurally subordinated to indebtedness of our non-guarantor subsidiaries.

The notes will be structurally subordinated to all existing and future debt and other liabilities of our non-guarantor subsidiaries, and the claims of creditors of those subsidiaries will have priority as to the assets of those subsidiaries. Our non-guarantor subsidiaries had total assets of $481.1 million at December 31, 2012, net income of $9.5 million for the three months ended December 31, 2012 and net income of $45.1 million for the fiscal year ended September 30, 2012. At December 31, 2012, our non-guarantor subsidiaries had approximately $169.4 million of debt outstanding. The indenture under which the notes will be issued does not limit the ability of our non-guarantor subsidiaries to incur additional indebtedness.

The indenture will permit us to form or acquire subsidiaries that do not become guarantors of the notes and will permit our subsidiaries to be released from their guarantees of the notes offered in this offering, in either case, if they do not guarantee any issue of debt securities of the Company or any of its subsidiaries of $50 million or more or any credit facilities of the Company or any of its subsidiaries of $50 million or more.

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

Although you will be direct creditors of the guarantors by virtue of the guarantees, a court could void or subordinate any guarantor s guarantee under the fraudulent conveyance laws if existing or future creditors of any such guarantor were successful in establishing that:

- such guarantee was incurred with fraudulent intent; or
- such guarantor did not receive fair consideration or reasonably equivalent value for issuing its guarantee; and
  - was insolvent at the time of the guarantee;
  - was rendered insolvent by reason of the guarantee;
  - was engaged in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or
  - intended to incur, or believed that it would incur, debt beyond its ability to pay such debt as it matured.

The measures of insolvency for purposes of determining whether a fraudulent conveyance occurred would vary depending upon the laws of the relevant jurisdiction and upon the valuation assumptions and methodology applied by the court. Generally, however, a company would be considered insolvent for purposes of the foregoing if:

- the sum of the company s debts, including contingent, unliquidated and unmatured liabilities, is greater than all of such company s property at a fair valuation; or the present fair saleable value of the company s assets is less than the amount that will be required to pay the probable liability on its existing debts as they become absolute and matured.

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The indenture contains a savings clause, which limits the liability of each guarantor on its guarantee to the maximum amount that such guarantor can incur without risk that its guarantee will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the notes in full when due. Furthermore, in Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc., the U.S. Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause used in the indenture was unenforceable. As a result, the subsidiary guarantees were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit recently affirmed the liability findings of the Bankruptcy Court without ruling directly on the enforceability of savings clauses generally. If the TOUSA decision were followed by other courts, the risk that the guarantees would be deemed fraudulent conveyances would be significantly increased.

An active trading market for the notes may not develop.

Prior to this offering, there was no market for the notes. We have been informed by the underwriters that they intend to make a market in the notes after this offering is completed. However, none of the underwriters is obligated to make a market in the notes and, even if the underwriters commence market making, they may cease their market making activities at any time. In addition, the liquidity of the trading market in the notes and the market price quoted for the notes may be adversely affected by changes in the overall market for debt securities and by changes in our financial performance or prospects or in the financial performance or prospects of companies in our industry. As a result, an active trading market may not develop or be maintained for our notes. If an active market does not develop or is not maintained, the market price and liquidity of our notes may be adversely affected.

Risks related to our business

The homebuilding industry experienced a significant downturn in recent years. Although industry conditions improved during fiscal 2012, the general U.S. economy remains weak. A subsequent deterioration in industry conditions could adversely affect our business or financial results.

We experienced one of the most severe housing downturns in U.S. history from 2006 through 2011. During this downturn, we experienced significant reductions in our home sales and homebuilding revenues, and we incurred substantial asset impairments and write-offs. Our recent results and other national data indicate that the overall demand for new homes improved during fiscal 2012. However, both national new home sales and our company s home sales remain below historical levels due to the current weak U.S. economic conditions, the restrictive mortgage lending environment and variations in local housing market conditions. The U.S. economy could be negatively impacted in the short-term by potential changes in fiscal, tax and monetary policies currently under consideration by the federal government. Therefore, it remains uncertain whether homebuilding industry conditions will continue to improve, remain stable or deteriorate from current levels. A subsequent deterioration in industry conditions could adversely affect our business or financial results.

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The homebuilding industry is cyclical and affected by changes in economic, real estate or other conditions that could adversely affect our business or financial results.

The homebuilding industry is cyclical and is significantly affected by changes in general and local economic and real estate conditions, such as:

- employment levels;
- availability of financing for homebuyers;
- interest rates;
- consumer confidence;
- levels and prices of new homes for sale and alternatives to new homes, including foreclosed homes, homes held for sale by investors and speculators, other existing homes and rental properties;
- demographic trends; and
- housing demand.

Adverse changes in these general and local economic conditions or deterioration in the broader economy could have a negative impact on our business or financial results. Also, changes in these economic conditions may affect some of our regions or markets more than others. If adverse conditions affect any of our larger markets, they could have a proportionately greater impact on us than on some other homebuilding companies.

Weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires, volcanic activity, droughts, and floods, can harm our homebuilding business. These can delay home closings, adversely affect the cost or availability of materials or labor, or damage homes under construction. The climates and geology of many of the states in which we operate, including California, Florida, Texas and other coastal areas, where we have some of our larger operations, present increased risks of adverse weather or natural disasters.

Deployments of U.S. military personnel to foreign regions, terrorist attacks, other acts of violence or threats to national security and any corresponding response by the United States or others, or related domestic or international instability, may adversely affect general economic conditions or cause a slowdown of the economy.

As a result of the foregoing matters, potential customers may be less willing or able to buy our homes. In the future, our pricing and product strategies may also be limited by market conditions. We may be unable to change the mix of our home offerings, reduce the costs of the homes we build, offer more affordable homes or satisfactorily address changing market conditions in other ways without adversely affecting our profit margins. In addition, cancellations of home sales contracts in backlog may increase if homebuyers choose to not honor their contracts due to any of the factors discussed above.

Our financial services business is closely related to our homebuilding business, as it originates mortgage loans principally to purchasers of the homes we build. A decrease in the demand for our homes because of the foregoing matters will also adversely affect the financial results of this segment of our business. An increase in the default rate on the mortgages we originate may adversely affect our ability to sell the mortgages or the pricing we receive upon the sale of

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mortgages or may increase our recourse obligations for previous originations. We establish reserves related to mortgages we have sold; however, actual future obligations related to these mortgages could differ significantly from our currently estimated amounts.

Constriction of the credit markets could limit our ability to access capital and increase our costs of capital.

During the recent industry downturn we generated substantial operating cash flow, and we relied principally on our cash on hand to meet our working capital needs and repay outstanding indebtedness. During much of the downturn, the credit markets constricted and reduced some sources of liquidity that were previously available to us. There likely will be other periods in the future when financial market upheaval will limit our ability to access the public debt markets or obtain bank financing, or doing so will increase our cost of capital.

We recently obtained a revolving credit facility, which provides committed loan financing for five years in an amount currently totaling $600 million. Also, our mortgage subsidiary, DHI Mortgage, uses a mortgage repurchase facility to finance many of the loans it originates. The mortgage repurchase facility must be renewed annually, and it currently expires in March 2013. We expect to renew and extend the term of the mortgage repurchase facility and increase its capacity prior to the facility s maturity date of March 3, 2013. Adverse changes in market conditions could make the renewal of these facilities more difficult or could result in an increase in the cost of these facilities or a decrease in their committed availability. Such changes affecting our mortgage repurchase facility may also make it more difficult or costly to sell the mortgages that we originate.

We believe that our existing cash resources, together with the net proceeds of the notes and our revolving credit facility and our mortgage repurchase facility, provide sufficient liquidity to fund our near-term working capital needs and debt obligations. We regularly assess our projected capital requirements to fund future growth in our business, repay our longer-term debt obligations, and support our other general corporate and operational needs, and we regularly evaluate our opportunities to raise additional capital. As market conditions permit, we may issue new debt or equity securities through the public capital markets or obtain additional bank financing to fund our projected capital requirements or provide additional liquidity. Adverse changes in economic, homebuilding or capital market conditions could negatively impact our business, liquidity and financial results.

Reductions in the availability of mortgage financing and the liquidity provided by government-sponsored enterprises, the effects of government programs, a decrease in our ability to sell mortgage loans on attractive terms or an increase in mortgage interest rates could adversely affect our business or financial results.

During the last six years, the mortgage lending industry has experienced significant change and contraction. Credit requirements have tightened and investor demand for mortgage loans and mortgage-backed securities has been predominantly limited to securities backed by Fannie Mae, Freddie Mac or Ginnie Mae. As a result, it is difficult for some potential buyers to finance the purchase of our homes. Further tightening of credit requirements could adversely affect our business or financial results.

We believe that the liquidity provided by Fannie Mae, Freddie Mac and Ginnie Mae to the mortgage industry has been very important to the housing market. Fannie Mae and Freddie Mac have required substantial injections of capital from the federal government and may require additional government support in the future. There has been ongoing discussion by the government with regard to the long term structure and viability of Fannie Mae and Freddie Mac. These discussions include the downsizing of their portfolios as well as the tightening of guidelines for their loan products. In addition, increased lending volume and losses insured by the Federal Housing Administration (FHA) have resulted in a reduction of its insurance fund. Any reduction in the availability of the financing or insuring provided by these institutions could adversely affect interest rates, mortgage availability and sales of new homes and mortgage loans. The FHA insures mortgage loans that generally have lower credit requirements and as a result, continue to be a particularly important source for financing the sale of our homes. In recent years, more restrictive guidelines have been placed on FHA insured loans, affecting minimum down payment and availability for condominium financing.

Additional future restrictions may negatively affect the availability or affordability of FHA financing, which could adversely affect our ability to sell homes.

While the use of down payment assistance programs by our homebuyers has decreased significantly, some of our customers still utilize 100% financing through programs offered by the United States Department of Veteran Affairs (VA) and United States Department of Agriculture (USDA). These government-sponsored loan programs are subject to changes in regulations, lending standards and government funding levels. There can be no assurances that these programs or other programs will continue to be available in our homebuilding markets or that they will be as attractive to our customers as the programs currently offered, which could negatively affect our sales.

The mortgage loans originated by our financial services operations are generally sold to third-party purchasers. During fiscal 2012 and the first three months of fiscal 2013, the majority of our mortgage loans were sold to one major financial institution that provided the best pricing and execution relative to other available loan purchasers. On an ongoing basis, we seek to establish additional loan purchase arrangements with multiple institutions. If we are unable to sell mortgage loans to additional purchasers on attractive terms, our ability to originate and sell mortgage loans at competitive prices could be limited, which would negatively affect our profitability.

Even if potential customers do not need financing, changes in the availability of mortgage products may make it more difficult for them to sell their current homes to potential buyers who need financing.

Mortgage rates are currently at historically low levels. If interest rates increase, the costs of owning a home will be affected and could result in a decline in the demand for our homes.

The risks associated with our land and lot inventory could adversely affect our business or financial results.

Inventory risks are substantial for our homebuilding business. We have recently begun to increase our investments in land and lot inventories in response to increased demand for our homes. There are risks inherent in controlling, owning and developing land. If housing demand declines, we may own land or lots at a cost we will not be able to recover fully, or on which we cannot build and sell homes profitably. Also, there can be significant fluctuations in the value of our owned undeveloped land, building lots and housing inventories related to changes in market conditions. As a result, our deposits for building lots controlled under option or similar contracts

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may be put at risk, we may have to sell homes or land for a lower profit margin or we may have to record inventory impairment charges on our developed and undeveloped land and lots. A significant deterioration in economic or homebuilding industry conditions may result in substantial inventory impairment charges.

Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business that can be significant.

We are subject to home warranty and construction defect claims arising in the ordinary course of our homebuilding business. We rely on subcontractors to perform the actual construction of our homes, and in many cases, to select and obtain construction materials. Despite our detailed specifications and monitoring of the construction process, our subcontractors occasionally use improper construction processes or defective materials in the construction of our homes. When we find these issues, we repair them in accordance with our warranty obligations. We spend significant resources to repair items in homes we have sold to fulfill the warranties we issued to our homebuyers. Additionally, we are subject to construction defect claims which can be costly to defend and resolve in the legal system. Warranty and construction defect matters can also result in negative publicity in the media and on the internet, which can damage our reputation and adversely affect our ability to sell homes.

Based on the large number of homes we have sold over the years, our potential liabilities related to warranty and construction defect claims are significant. As a consequence, we maintain product liability insurance, and we obtain indemnities and certificates of insurance from subcontractors covering claims related to their workmanship and materials. We establish warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built. Because of the uncertainties inherent to these matters, we cannot provide assurance that our insurance coverage, our subcontractor arrangements and our reserves will be adequate to address all of our future warranty and construction defect claims. Contractual indemnities can be difficult to enforce, we may be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of product liability insurance for construction defects is limited and costly. We have responded to increases in insurance costs and coverage limitations by increasing our self-insured retentions and claim reserves. There can be no assurance that coverage will not be further restricted or become more costly.

Supply shortages and other risks related to acquiring land, building materials and skilled labor could increase our costs and delay deliveries.

The homebuilding industry has from time to time experienced significant difficulties that can affect the cost or timing of construction, including:

- difficulty in acquiring land suitable for residential building at affordable prices in locations where our potential customers want to live;
- shortages of qualified trades people;
- reliance on local subcontractors, manufacturers and distributors who may be inadequately capitalized;
- shortages of materials; and

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volatile increases in the cost of materials, particularly increases in the price of lumber, drywall and cement, which are significant components of home construction costs.

These factors may cause us to take longer or incur more costs to build our homes and adversely affect our revenues and margins. If the recent increases in home sales continue or accelerate in future periods, the potential risk of shortages in residential lots, labor and materials available to the homebuilding industry could increase in some markets where we operate.

We are required to obtain performance bonds, the unavailability of which could adversely affect our results of operations and cash flows.

We often are required to provide surety bonds to secure our performance or obligations under construction contracts, development agreements and other arrangements. At December 31, 2012, we had $657.4 million of outstanding surety bonds. Our ability to obtain surety bonds primarily depends upon our credit rating, financial condition, past performance and other factors, including the capacity of the surety market and the underwriting practices of surety bond issuers. The ability to obtain surety bonds also can be impacted by the willingness of insurance companies to issue performance bonds for construction and development activities. If we are unable to obtain surety bonds when required, our results of operations and cash flows could be adversely impacted.

Increases in the costs of owning a home could prevent potential customers from buying our homes and adversely affect our business or financial results.

Significant expenses of owning a home, including mortgage interest and real estate taxes, generally are deductible expenses for an individual s federal, and in some cases state, income taxes, subject to various limitations under current tax law and policy. If the federal government or a state government changes its income tax laws, as has been discussed from time to time, to eliminate or substantially modify these income tax deductions, the after-tax cost of owning a new home would increase for many of our potential customers. The loss or reduction of homeowner tax deductions, if such tax law changes were enacted without offsetting provisions, could adversely impact demand for and sales prices of new homes.

In addition, increases in property tax rates by local governmental authorities, as experienced in some areas in response to reduced federal and state funding, could adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

Governmental regulations and environmental matters could increase the cost and limit the availability of our development and homebuilding projects and adversely affect our business or financial results.

We are subject to extensive and complex regulations that affect land development and home construction, including zoning, density restrictions, building design and building standards. These regulations often provide broad discretion to the administering governmental authorities as to the conditions we must meet prior to development or construction being approved, if approved at all. We are subject to determinations by these authorities as to the adequacy of water or sewage facilities, roads or other local services. New housing developments may also be subject to various assessments for schools, parks, streets and other public improvements. In addition, in many markets government authorities have implemented no growth or growth control initiatives. Any of these can limit, delay or increase the costs of development or home construction.

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We are also subject to a significant number and variety of local, state and federal laws and regulations concerning protection of health, safety, labor standards and the environment. The impact of environmental laws varies depending upon the prior uses of the building site or adjoining properties and may be greater in areas with less supply where undeveloped land or desirable alternatives are less available. These matters may result in delays, may cause us to incur substantial compliance, remediation, mitigation and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas. Government agencies also routinely initiate audits, reviews or investigations of our business practices to ensure compliance with these laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant.

The subcontractors we rely on to perform the actual construction of our homes are also subject to a significant number of local, state and federal laws and regulations, including laws involving matters that are not within our control. If our subcontractors fail to comply with all applicable laws, we can suffer reputational damage, and may be exposed to possible liability.

We are also subject to an extensive number of laws and regulations because our common stock and debt securities are publicly traded in the capital markets. These regulations govern our communications with our shareholders and the capital markets, our financial statement disclosures and our legal processes, and they also impact the work required to be performed by our independent registered public accounting firm and our legal counsel. Changes in these laws and regulations, including the subsequent implementation of rules by the administering government authorities, can require us to incur additional compliance costs, and such costs can be significant.

In August 2012, the SEC adopted a final rule on conflict minerals as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) which was signed into law in July 2010. The rule requires an entity to file a new form to publicly disclose its use of conflict minerals, defined as tantalum, tin, tungsten and gold, if these minerals are necessary to the functionality or production of products it manufactures. Additional reporting is required if it is determined that the conflict minerals were mined from the Democratic Republic of the Congo (DRC) or adjoining countries. This new rule will require us to perform due diligence to determine whether our suppliers use any of these materials in their production processes and the sources of such materials, which will increase our administrative costs. These new requirements could also adversely affect the sourcing, supply and costs of materials used in the construction of our homes.

Governmental regulation of our financial services operations could adversely affect our business or financial results.

Our financial services operations are subject to a significant number of federal, state and local laws and regulations. These include eligibility requirements for participation in federal loan programs, compliance with consumer lending laws and other regulations governing disclosure requirements, prohibitions against discrimination and real estate settlement procedures. Our financial services operations are subject to examination by federal, state and local government agencies. These laws, regulations and examinations may limit our ability to provide mortgage financing or title services to potential purchasers of our homes.

The Dodd-Frank Act provides for a number of new requirements relating to residential mortgage lending practices, many of which are to be developed further by rules enacted by the appropriate government agencies responsible for regulating the mortgage industry. Many of these rules have

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not yet been finalized or implemented. These include, among others, minimum standards for mortgages and lender practices in making mortgages, limitations on certain fees and incentive arrangements, retention of credit risk and remedies for borrowers in foreclosure proceedings. The effect of such provisions on our financial services business will depend on the rules that are ultimately enacted. Key decisions that have yet to be made concern the characteristics of mortgages that would be exempt from risk retention, how risk retention requirements will be implemented and how derivative trading will be impacted. These factors could restrict the availability of and increase the cost of mortgage credit in addition to increasing the general and administrative costs within our financial services operations.

The turmoil caused by the significant number of defaults and resulting foreclosures during the recent downturn has encouraged consumer lawsuits and the investigation of financial services industry practices by governmental authorities. These investigations may include the examination of consumer lending practices, real estate settlement procedures, foreclosure and servicing policies or other practices in the financial services segments of homebuilding companies. These governmental inquiries could result in changes in regulations or homebuilding industry practices, and they could adversely affect the costs and potential profitability of homebuilding companies. Additionally, if pending legislation is enacted as currently proposed, regulations that favor financial services businesses that are not affiliated with homebuilding companies will place our financial services business at a competitive disadvantage in the marketplace, which would adversely affect its profitability.

Homebuilding and financial services are very competitive industries, and competitive conditions could adversely affect our business or financial results.

The homebuilding industry is highly competitive. Homebuilders compete not only for homebuyers, but also for desirable properties, financing, raw materials and skilled labor. We compete with local, regional and national homebuilders, often within larger subdivisions designed, planned and developed by such homebuilders. We also compete with existing home sales, foreclosures and rental properties. The competitive conditions in the homebuilding industry can negatively impact our sales volumes, selling prices and incentive levels, reduce our profit margins, and cause impairments in the value of our inventory or other assets. Competition can also affect our ability to acquire suitable land, raw materials and skilled labor at acceptable prices or terms, or cause delays in the construction of our homes.

Our financial services business competes with other mortgage lenders, including national, regional and local mortgage banks and other financial institutions, some of which are subject to fewer government regulations. Mortgage lenders who are subject to fewer regulations or have greater access to capital or different lending criteria may be able to offer more attractive financing to potential customers.

Our homebuilding and financial services businesses compete with other companies, both from within and outside of these industries, to attract and retain highly skilled and experienced employees, managers and executives. Competition for the services of these individuals will likely increase as business conditions improve in the homebuilding and financial services industries or in the general economy. If we are unable to attract and retain key employees, managers or executives, our business could be adversely impacted.

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We cannot make any assurances that any future growth strategies will be successful or not expose us to additional risks.

Although we have focused on increasing our market share through internal growth in recent years, we acquired the homebuilding operations of a small company in fiscal 2012 and may make strategic acquisitions of other homebuilding companies or their assets in the future. Successful strategic acquisitions require the integration of operations and management. Although we believe that we have been successful in the past, we can give no assurance that we will be able to successfully identify, acquire and integrate strategic acquisitions in the future. Acquisitions can result in the dilution of existing stockholders if we issue our common stock as consideration, or reduce our liquidity or increase our debt if we fund them with cash. In addition, acquisitions can expose us to valuation risks, including the risk of writing off goodwill or impairing inventory and other assets related to such acquisitions. The risk of goodwill and other asset impairments increases during a cyclical housing downturn when our profitability may decline, as evidenced by the goodwill and other asset impairment charges we recognized during the recent downturn. In addition, we may not be able to successfully implement our operating or internal growth strategies within our existing markets.

Our business and financial results could be adversely affected by significant inflation or deflation.

Inflation can adversely affect us by increasing costs of land, materials and labor. In addition, significant inflation is often accompanied by higher interest rates, which have a negative impact on housing demand. In a highly inflationary environment, depending on industry and other economic conditions, we may be precluded from raising home prices enough to keep up with the rate of inflation, which could reduce our profit margins. Moreover, with inflation, the costs of capital increase and the purchasing power of our cash resources can decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our business or financial results.

Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a further deterioration in economic conditions, including an increase in the rate of unemployment. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes below the related mortgage loan balance, which could potentially increase the supply of existing homes and have a negative impact on our results of operations.

Our deferred income tax asset may not be fully realizable.

As of December 31, 2012, we had a deferred income tax asset, net of deferred tax liabilities, of $725.4 million, against which we provided a valuation allowance of $41.9 million. The realization of all or a portion of our deferred income tax asset is dependent upon the generation of future taxable income during the statutory carryforward periods and in the jurisdictions in which the related temporary differences become deductible. We have provided the valuation allowance against our net deferred income tax asset because it is more likely than not that a portion of our state net operating loss carryforwards will not be realized due to the more limited carryforward periods that exist in certain states. Our ability to utilize our net operating losses to reduce future income tax obligations would be limited if we experienced an ownership change as defined by Section 382 of the Internal Revenue Code. Under the rules, such an ownership change is generally any change in ownership of more than 50% of its stock within a rolling three-year period, as calculated in accordance with the rules. The rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning directly or indirectly 5% or more of the stock of the company and any change in ownership arising from new issuances of stock by the company. If we undergo an ownership change for purposes of Section 382 as a result of future transactions involving our common stock, both the amount of and our ability to use any of our net operating loss carryforwards or tax credit carryforwards at the time of ownership change would be subject to the limitations of Section 382. In addition, these limitations may affect the expiration date of any net operating loss carryforwards or tax credit carryforwards, and we may not be able to use them before they expire. This could adversely affect our financial position, results of operations and cash flow. We do not believe we have experienced such an ownership change as of December 31, 2012. However, the amount by which our ownership may change in the future is affected by purchases and sales of stock by 5% stockholders, new issuances of stock by us and the potential conversion of our outstanding convertible senior notes and our decision as to whether to settle any such conversions completely or partially in stock. The accounting for deferred income taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future tax consequences could have a material impact on our consolidated results of operations or financial position. Changes in tax laws also affect actual tax results and the valuation of deferred income tax assets over time. Specifically, a decrease in income tax rates would result in a decrease in our deferred tax assets.

Information technology failures and data security breaches could harm our business.

We use information technology and other computer resources to carry out important operational and marketing activities and to maintain our business records. These information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced security breaches, cyber-attacks, significant systems failures and electrical outages in the past. A material network breach in the security of our information technology systems could include the theft of customer, employee or company data. In February 2012, we experienced a software security breach by unknown external sources in our Internet Loan Prequalification System, which could have resulted in some of our customers personal data being compromised. We investigated the breach with the assistance of information technology security experts, and we are working with local and federal law enforcement to aid in their investigation of the breach. Our investigations produced no evidence that any of our customers data was actually accessed or exported from our systems. A security breach such as the one we recently experienced or a significant and extended disruption in the functioning of our information technology systems could damage our reputation and cause us to lose customers, adversely impact our sales and revenue and require us to incur significant expense to address and remediate or otherwise resolve these kinds of issues. The release of confidential information as a result of a security breach may also lead to litigation or other proceedings against us by affected individuals or business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business. We may also be required to incur significant costs to protect against damages caused by these information technology failures or security breaches in the future. We routinely utilize information technology security experts to assist us in our evaluations of the effectiveness of the security of our information technology systems, and we regularly enhance our security measures to protect our systems and data. However, we cannot provide assurances that a security breach, cyber-attack, data theft or other significant systems failures will not occur in the future, and such occurrences could have a material and adverse effect on our consolidated results of operations or financial position.

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Use of proceeds

We estimate that the net proceeds from this offering after payment of fees and expenses will be approximately $ million. We intend to use the net proceeds of this offering for general corporate purposes.

Capitalization

The following table sets forth our cash and cash equivalents and marketable securities and capitalization as of December 31, 2012 and as adjusted to reflect the sale of $700 million aggregate principal amount of notes and the application of the estimated net proceeds thereof as described under Use of proceeds.

	As of December 31, 2012	
(in millions)	**Actual**	**Adjusted**
Cash and cash equivalents and marketable securities homebuilding	$ 643.1	$
Cash and cash equivalents financial services	20.5	20.5
Cash and cash equivalents and marketable securities	$ 663.6	$
Homebuilding debt:		
Revolving credit facility, maturing 2017(1)	$ 100.0	$ 100.0
6.875% senior notes due 2013	171.7	171.7
6.125% senior notes due 2014, net	145.6	145.6
2.0% convertible senior notes due 2014, net	454.6	454.6
5.625% senior notes due 2014, net	137.7	137.7
5.25% senior notes due 2015, net	157.4	157.4
5.625% senior notes due 2016, net	169.7	169.7
6.5% senior notes due 2016, net	372.4	372.4
4.750% senior notes due 2017	350.0	350.0
% senior notes due 2020 offered hereby		300.0
4.375% senior notes due 2022	350.0	350.0
% senior notes due 2025 offered hereby		400.0
Notes payable other, secured	15.2	15.2
Total homebuilding debt	2,424.3	3,124.3
Financial services debt:		
Borrowings under mortgage repurchase facility(2)	169.4	169.4
Total financial services debt	169.4	169.4
Total debt(3)	2,593.7	3,293.7
Stockholders equity:		
Preferred stock, $0.10 par value: 30,000,000 shares authorized; no shares issued		
Common stock, $0.01 par value: 1,000,000,000 shares authorized; 328,464,422 shares issued and 321,264,351 shares outstanding at December 31, 2012	3.3	3.3
Additional paid-in capital	1,992.2	1,992.2
Retained earnings	1,749.2	1,749.2
Treasury stock, 7,200,071 shares at December 31, 2012, at cost	(134.3)	(134.3)

Total stockholders equity	3,610.4	3,610.4
Noncontrolling interests	2.7	2.7
Total equity	3,613.1	3,613.1
Total capitalization	$ 6,206.8	$ 6,906.8

(see footnotes on following page)

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(1) In September 2012, we entered into a five-year $125 million senior unsecured revolving credit facility, which had an uncommitted $375 million accordion feature that could increase the size of the facility, subject to certain conditions and availability of additional commitments. On November 1, 2012, we increased the committed capacity under our revolving credit facility from $125 million to $600 million and increased the uncommitted accordion feature to allow for future increases in the size of the facility to $1 billion, subject to certain conditions and availability of additional commitments. At December 31, 2012, the interest rate on borrowings under the revolving credit facility was 4.8%.

(2) Our mortgage subsidiary, DHI Mortgage, has a repurchase facility that provides financing and liquidity by facilitating purchase transactions in which our mortgage subsidiary transfers eligible loans to buyers against transfers of funds by the buyers. The committed capacity of the facility is $180 million, but the capacity can be increased to $225 million. Increases in borrowing capacity in excess of $180 million are provided on an uncommitted basis and at a higher borrowing cost than committed borrowings. The facility matures on March 3, 2013, and the annual interest rate on the facility was 2.8% at December 31, 2012. We expect to renew and extend the term of the mortgage repurchase facility and increase its capacity prior to the facility s maturity date of March 3, 2013.

(3) Total debt at December 31, 2012 excludes outstanding letters of credit of $51.4 million, which are cash collateralized, and surety bonds of $657.4 million that secure performance under various contracts.

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Description of notes

The following description of the particular terms of the Notes offered hereby supplements and, to the extent inconsistent therewith, replaces the description of the general terms of the Debt Securities set forth under the heading Description of Debt Securities in the accompanying prospectus, to which description reference is hereby made. Each series of Notes will be issued under the Indenture dated as of May 1, 2012, among the Company, the Guarantors and American Stock Transfer & Trust Company, LLC, as trustee (the Trustee), as supplemented by a separate supplemental indenture for each series of Notes (as separately supplemented for each series, the Indenture). The following is a summary of the material terms and provisions of the Notes. The terms of the Notes include those set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act), as in effect on the date of the Indenture. The Notes are subject to all such terms, and prospective purchasers of the Notes are referred to the Indenture and the Trust Indenture Act for a statement of such terms. As used in this Description of notes, the term Company refers to D.R. Horton, Inc. and not any of its Subsidiaries.

Definitions of certain terms are set forth under Certain definitions and throughout this description. Capitalized terms that are used but not otherwise defined herein have the meanings assigned to them in the Indenture, and those definitions are incorporated herein by reference.

General

We will issue $300,000,000 in aggregate principal amount of senior notes due 2020 (the 2020 Notes) and $400,000,000 in aggregate principal amount of senior notes due 2025 (the 2025 Notes, and together with the 2020 Notes, the Notes). The 2020 Notes and the 2025 Notes are each referred to herein as a series of Notes.

The Notes will bear interest from , 2013, payable semi-annually on and of each year (each, an Interest Payment Date), commencing , 2013, to Holders of record at the close of business on or , as the case may be, immediately preceding each such interest payment date. The 2020 Notes bear interest at % per annum and will mature on , 2020. The 2025 Notes bear interest at % per annum and will mature on , 2025.

An aggregate principal amount of $300 million of 2020 Notes and $400 million of 2025 Notes will be issued in this offering. Additional Notes (the Additional Notes) in an unlimited amount may be issued in one or more series from time to time on the same terms and conditions as either series of Notes, except for issue date, and in certain cases the issue price and the first interest payment, either of which may differ from the respective terms of the previously issued Notes of the same series, and with the same CUSIP numbers as the Notes of the series offered hereby without the consent of Holders of the Notes.

The Notes will be guaranteed by each of the Guarantors pursuant to the guarantees of the Notes (as to each series, the Guarantees) described below. The Guarantors currently do not include our subsidiaries that are engaged in the financial services segment or the insurance, energy or mineral business. These subsidiaries currently do not guarantee our other senior notes or our revolving credit facility. In addition, the Notes will not initially be guaranteed by several of our insignificant subsidiaries.

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Ranking

The Notes of each series offered hereby are general unsecured obligations of the Company and rank senior in right of payment to any future Indebtedness of the Company that is, by its terms, expressly subordinated in right of payment to the Notes and *pari passu* in right of payment with all existing and future unsecured Indebtedness of the Company that is not so subordinated, including the Notes of the other series and our revolving credit facility. The Guarantees described below will be general unsecured obligations of the Guarantors and will rank senior in right of payment to any future Indebtedness of the Guarantors that is, by its terms, expressly subordinated in right of payment to the Guarantees and will rank *pari passu* in right of payment with all existing and future unsecured Indebtedness of the Guarantors that is not so subordinated, including our revolving credit facility.

Secured creditors of the Company and the Guarantors will have a claim on the assets which secure the obligations of the Company and the Guarantors to such creditors prior to claims of Holders of the Notes against those assets, to the extent of the value of such assets. Our revolving credit facility provides for the issuance of letters of credit under the facility that are secured by cash collateral.

At December 31, 2012, the Company and the Guarantors had approximately $2,424.3 million of Indebtedness outstanding. Of this Indebtedness, $15.2 million was secured debt and $2,409.1 million will be *pari passu* with the Notes. In addition, at such date, our non-guarantor subsidiaries had approximately $169.4 million of Indebtedness outstanding. The Notes are effectively subordinated in right of payment to the existing and future debt and other liabilities of our non-guarantor subsidiaries since their creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before they are available to the Company.

Optional redemption

The Company may, at its option, redeem the Notes in whole at any time or in part from time to time, as set forth below. The Company must mail to registered holders of the Notes notice of redemption at least 30 but not more than 60 days prior to the proposed date of redemption.

If we redeem the Notes of any series at any time prior to the date that is three months prior to the final maturity of the Notes of such series, the redemption price for the Notes being redeemed will equal the greater of the following amounts:

- 100% of their principal amount; and

- the present value of the Remaining Scheduled Payments on the Notes being redeemed on the redemption date, discounted to the redemption date, on a semiannual basis, at the Treasury Rate plus 50 basis points (0.50%),

plus, in each case, accrued and unpaid interest on such Notes to the redemption date.

If we redeem the Notes of any series within three months of the final maturity of the Notes of such series, the redemption price will equal 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the Notes to the redemption date.

In determining the redemption price and accrued interest, interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

If money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed is deposited with the Trustee on or before the redemption date, on and after the redemption date interest will cease to accrue on the Notes (or such portions thereof) called for redemption and such Notes will cease to be outstanding.

On or before the redemption date, we will deposit with the paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. Selection of the Notes or portions thereof for redemption pursuant to the foregoing shall be made by the Trustee only on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to the procedures of The Depository Trust Company), unless such method is otherwise prohibited.

The guarantees

The Notes will be guaranteed by each of the Guarantors pursuant to the Guarantees. In general, the Guarantors currently do not include our subsidiaries that are engaged in the financial services segment or the insurance, energy or mineral business. These subsidiaries currently do not guarantee our other senior notes or our revolving credit facility. In addition, the Notes will initially not be guaranteed by several of our insignificant subsidiaries. Under the circumstances described under Certain covenants Additional guarantees, we are required to cause subsidiaries that are not Guarantors to become Guarantors.

Each of the Guarantors will unconditionally guarantee on a joint and several basis all of the Company s obligations under the Notes, including its obligations to pay principal, premium, if any, and interest, if any, with respect to the Notes. The Guarantees will be general unsecured obligations of the Guarantors and will rank pari passu with all existing and future unsecured Indebtedness of the Guarantors that is not, by its terms, expressly subordinated in right of payment to the Guarantees. The obligations of each Guarantor are limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under the Indenture, will result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Guarantor in an amount pro rata, based on the adjusted net assets of each Guarantor, as defined in the Indenture.

The Indenture will provide that, in the event of (i) the sale or other disposition of Capital Stock of any Guarantor if as a result of such disposition, such Person ceases to be a Subsidiary of the Company, (ii) a sale or other disposition of all or substantially all of the assets of any Guarantor (other than to the Company or another Guarantor), (iii) a merger or consolidation of a Guarantor with a Person other than the Company or another Guarantor, or (iv) a Guarantor ceasing to guarantee any (a) Indebtedness of the Company outstanding under any of the Credit Facilities and (b) Publicly Traded Debt Securities, then such Guarantor (in the case of clauses (i), (ii) and (iv) above) will be automatically and unconditionally released and discharged from all obligations under the Indenture and the Notes and the Person acquiring such assets (in the case of clauses (ii) and (iii) above) shall not be required to assume the Guarantor s obligations under the Indenture and the Notes, or otherwise become a Guarantor, in each case without any further action required on the part of the Trustee, any Holder, the Company or any Guarantor; *provided* that such sale, disposition or other transaction is otherwise in compliance with the Indenture.

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Except as provided in the covenants described under Certain covenants below, the Indenture will not prevent any consolidation or merger of a Guarantor with or into the Company or another Guarantor, nor will it prevent any sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor to the Company or another Guarantor. Upon any such consolidation, merger, or disposition, the Guarantee given by such Guarantor will no longer have any force or effect.

Certain covenants

The following is a summary of certain covenants contained in the Indenture. Such covenants are applicable (unless waived or amended as permitted by the Indenture) so long as any of the Notes are outstanding and are not defeased or discharged pursuant to provisions described in the accompanying prospectus under the heading Description of Debt Securities Defeasance.

Restrictions on Secured Debt

The Indenture provides that the Company will not, and will not cause or permit any Guarantor to, create, incur, assume or guarantee any Secured Debt unless the Notes are secured equally and ratably with (or prior to) such Secured Debt, provided that the foregoing does not prohibit the creation, incurrence, assumption or guarantee of:

(1) Secured Debt which is secured by Liens on model homes, homes held for sale, homes that are under construction or under contract for sale, contracts for the sale of homes, land (improved or unimproved), contracts for the sale of land, project club houses, amenity centers and common areas, manufacturing plants, warehouses, distribution facilities or office buildings, and fixtures and equipment located at or on any of the foregoing or leasehold or other interests in any of the foregoing;

(2) Secured Debt which is secured by a Lien on property at the time of its acquisition by the Company or a Guarantor, which Lien secures obligations assumed by the Company or a Guarantor, or on the property of a corporation or other entity at the time it is merged into or consolidated with the Company or a Guarantor or becomes a Guarantor as a result of the acquisition of its Capital Stock by the Company or a Guarantor (other than Secured Debt created in contemplation of the acquisition of such property or the consummation of such a merger or consolidation or acquisition where the Lien attaches to or affects the property of the Company or a Guarantor prior to such transaction);

(3) Secured Debt which is secured by Liens arising from conditional sales agreements or title retention agreements with respect to property acquired by the Company or a Guarantor;

(4) Secured Debt which is secured by Liens securing Indebtedness of a Guarantor owing to the Company or to another Guarantor;

(5) Indebtedness secured by a Permitted Lien; and

(6) any amendment, restatement, supplement, renewal, replacement, extension, refinancing or refunding, in whole or in part (Refinanced Debt), of Secured Debt that was permitted to be created, incurred, assumed or guaranteed pursuant to clauses (1) through (5) above at the time of the original creation, incurrence, assumption or guarantee thereof, or by this clause (6), *provided* in each case that the principal amount of the Refinanced Debt does not exceed the principal amount of the Secured Debt being refinanced, extended, renewed or replaced (plus

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accrued interest thereon and expenses of refinancing, extension, renewal or replacement) and such Refinanced Debt is not secured by any additional properties of the Company or any Guarantor (other than accessions and proceeds).

In addition, the Company and the Guarantors may create, incur, assume or guarantee Secured Debt, without equally or ratably (or on a senior basis) securing the Notes, if immediately thereafter the sum of (1) the aggregate principal amount (or the accreted value thereof, in the case of any Secured Debt issued with original issue discount) of all Secured Debt outstanding (excluding Secured Debt permitted under clauses (1) through (6) above and any Secured Debt in relation to which the Notes have been secured equally and ratably (or on a senior basis)) and (2) all Attributable Debt in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Sale and Leaseback Transactions satisfying the conditions set forth in clauses (1) and (2) and if the 365 day period referenced therein shall have expired, also clause (3) under Restrictions on Sale and Leaseback Transactions) as of the date of determination would not exceed 20% of Consolidated Adjusted Tangible Assets.

Restrictions on Sale and Leaseback Transactions

The Indenture provides that the Company will not, and will not cause or permit any Guarantor to, enter into any Sale and Leaseback Transaction, unless:

(1) notice is promptly given to the Trustee of the Sale and Leaseback Transaction;

(2) fair value is received by the Company or a Guarantor for the property sold (as determined in good faith pursuant to a resolution of the board of directors of the Company delivered to the Trustee); and

(3) the Company or a Guarantor, within 365 days after the completion of the Sale and Leaseback Transaction, applies an amount equal to the net proceeds therefrom either:

(A) to the redemption, repayment or retirement of (a) debt securities of any series under the Indenture (other than a series that, pursuant to the applicable supplemental indenture or authorizing resolution, does not have the benefit of this covenant or its equivalent), including the cancellation by the Trustee of any securities of any such series delivered by the Company to the Trustee, or (b) any other Indebtedness of the Company or any Guarantor (other than Indebtedness which by its terms or the terms of the instrument by which it was issued is subordinate in right of payment to the Notes or any such other series of debt securities), or

(B) to the purchase by the Company or a Guarantor of property substantially similar to the property sold or transferred.

Without regard to the foregoing, the Company and the Guarantors may enter into a Sale and Leaseback Transaction if immediately thereafter the sum of (1) the aggregate principal amount of all Secured Debt outstanding (excluding Secured Debt permitted under clauses (1) through (6) described in Restrictions on Secured Debt above or Secured Debt in relation to which the Notes have been secured equally and ratably (or on a senior basis)) and (2) all Attributable Debt in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Sale and Leaseback Transactions satisfying the conditions set forth in clauses (1) and (2) and if the 365 day period referenced therein shall have expired, also clause (3) above) as of the date of determination would not exceed 20% of Consolidated Adjusted Tangible Assets.

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Repurchase of notes upon Change of Control Triggering Event

In the event that there shall occur a Change of Control Triggering Event, except as otherwise provided below, the Company shall make an offer to each Holder of the Notes (the Change of Control Offer) to purchase all or any part of such Holder s Notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase (the Change of Control Purchase Price) in accordance with the procedures set forth below.

On or before the thirtieth day after any Change of Control Triggering Event, or, at the Company s option, prior to any Change of Control, but after the public announcement of the Change of Control, the Company shall be obligated to make the Change of Control offer by mailing, or causing to be mailed, to all Holders of Notes, with a copy to the Trustee, a notice regarding the Change of Control Triggering Event and the Change of Control Offer. The notice shall state the payment date for the repurchase of the Notes, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice may, if mailed prior to the date of consummation of the Change of Control, also state that the offer to purchase is conditioned on a Change of Control or Change of Control Triggering Event occurring on or prior to the payment date specified in the notice.

The Company will comply with applicable law, including Section 14(e) of the Exchange Act and Rule 14e-1 thereunder, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control or Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Triggering Event provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Triggering Event provisions of the Indenture by virtue of such conflict.

The Company will not be required to make a Change of Control Offer with respect to either series of Notes after a Change of Control Triggering Event if (1) a third party makes such an offer for such series of Notes in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Company and such third party purchases all Notes of such series properly tendered and not withdrawn under its offer, (2) the Company has given notice to redeem all Notes of such series in accordance with the redemption provisions of the Indenture as described above under the caption Optional redemption, unless and until there is a default in payment of the applicable redemption price or (3) in connection with or in contemplation of any Change of Control for which a definitive agreement is in place, the Company or a third party has made an offer to purchase (an Alternate Offer) any and all Notes of such series properly tendered at a cash price equal to or higher than the Change of Control Purchase Price and has purchased all Notes of such series properly tendered and not withdrawn in accordance with the terms of such Alternate Offer.

With respect to any disposition of assets, the phrase all or substantially all as used in the Indenture (including as set forth under Limitations on mergers, consolidations and sales of assets below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of all or substantially all of the assets of the Company, and therefore it may be unclear as to whether a Change of Control, and by extension, Change of Control Triggering Event, has occurred.

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None of the provisions relating to a repurchase upon a Change of Control Triggering Event is waivable by the Board of Directors of the Company. The Company could, in the future, enter into certain transactions, including certain recapitalizations of the Company, that would not result in a Change of Control Triggering Event, but would substantially increase the amount of Indebtedness outstanding at such time.

The Indenture requires the payment of money for Notes or portions thereof validly tendered to and accepted for payment by the Company pursuant to a Change of Control Offer. In the event that a Change of Control Triggering Event has occurred under the Indenture, a change of control may have also occurred under the agreements governing other Indebtedness of the Company or its subsidiaries. If a Change of Control Triggering Event were to occur, there can be no assurance that the Company would have sufficient funds to pay the purchase price for all Notes and amounts due under other Indebtedness that the Company may be required to repurchase or repay. In the event that the Company were required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would need to seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

Failure by the Company to purchase the Notes of any series when required upon a Change of Control Triggering Event will result in an Event of Default with respect to the Notes of such series.

These provisions could have the effect of deterring hostile or friendly acquisitions of the Company where the Person attempting the acquisition views itself as unable to finance the purchase of the principal amount of Notes which may be tendered to the Company upon the occurrence of a Change of Control Triggering Event.

Amendment or waiver of the provisions described in this covenant will require consent of Holders of a majority of the outstanding principal amount of the applicable series of Notes.

Limitations on mergers, consolidations and sales of assets

The Indenture provides that neither the Company nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including by way of liquidation or dissolution), to any Person (in each case other than in a transaction in which the Company or a Guarantor is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(1) the Person formed by or surviving such consolidation or merger (if other than the Company or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition will be made (collectively, the Successor), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture, and

(2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing.

The foregoing provisions shall not apply to:

(a) the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in

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such Guarantor being released from its Guarantee or the Successor not being required to become a Guarantor, as the case may be, as provided under The guarantees above, or

(b) a transaction the purpose of which is to change the state of incorporation of the Company or any Guarantor.

Upon any such consolidation, merger, sale, lease, conveyance or other disposition, the Successor will be substituted for the Company or the relevant Guarantor under the Indenture. The Successor may then exercise every power and right of the Company or the relevant Guarantor under the Indenture, and except in the case of a lease, the Company or the relevant Guarantor will be released from all of its liabilities and obligations in respect of the Notes, the Guarantee and the Indenture. If the Company or a Guarantor leases all or substantially all of its assets, the Company or such Guarantor will not be released from its obligations to pay the principal of and premium, if any, and interest, if any, on the Notes or the Guarantee, as applicable.

Additional guarantees

If (a) any Subsidiary that is not a Guarantor shall guarantee any (i) Indebtedness of the Company outstanding under any of the Credit Facilities or (ii) Publicly Traded Debt Securities, or (b) the Company elects to add any Subsidiary as a Guarantor, then such Subsidiary shall (i) execute and deliver to the Trustee a supplemental indenture in form reasonably satisfactory to the Trustee pursuant to which such Subsidiary shall unconditionally guarantee all of the Company s obligations under the Notes and under the Indenture on the terms set forth in the Indenture and (ii) deliver to the Trustee an opinion of counsel that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Subsidiary. Thereafter, such Subsidiary shall be a Guarantor for all purposes of the Indenture until it is released from its obligations as a Guarantor pursuant to the provisions of the Indenture.

Events of default

The following are Events of Default in respect of the Notes of either series under the Indenture:

(1) the failure by the Company to pay interest on any Note of such series when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(2) the failure by the Company to pay the principal or premium of any Note of such series when the same becomes due and payable at maturity, upon acceleration or otherwise;

(3) the failure by the Company or any Guarantor to comply with any of its agreements or covenants in, or provisions of, such Notes of such series, the Guarantees (as relating to the Notes of such series) or the Indenture (as relating to the Notes of such series) and such failure continues for the period and after the notice specified below (except in the case of a default under the covenants described under Repurchase of notes upon Change of Control Triggering Event and Limitations on mergers, consolidations and sales of assets, which will constitute an Event of Default with notice but without passage of time);

(4) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Guarantor that has an outstanding principal amount of $50 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

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(5) the failure by the Company or any Guarantor to make any principal or interest payment in an amount of $50 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Guarantor within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(6) the Company or any Guarantor that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Guarantor that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company or any Guarantor that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Guarantor that is a Significant Subsidiary, or

(C) orders the liquidation of the Company or any Guarantor that is a Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days; or

(8) any Guarantee related to the Notes of such series of a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under such Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Indenture and such Guarantee).

A Default as described in subclause (3) above will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding series of such Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to the covenants described under Repurchase of notes upon Change of Control Triggering Event and Limitations on mergers, consolidations and sales of assets) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a Notice of Default. If such a Default is cured within such time period, it ceases to exist, without any action by the Trustee or any other Person.

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (6) or (7) above), shall have occurred and be continuing under the Indenture with respect to either series of Notes, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes of such series then outstanding by notice to the Company and the Trustee, may declare all such series of Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on either series of Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (6) or (7) above occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

The Holders of a majority in principal amount of the Notes of either series then outstanding by written notice to the Trustee may waive an existing Default or Event of Default and its consequences with respect to such series of Notes, other than any Default or Event of Default in payment of principal or interest. Holders of a majority in principal amount of the then outstanding Notes of either series may rescind an acceleration and its consequence in respect of such series (except an acceleration due to nonpayment of principal or interest on such series of Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) in respect to such series have been cured or waived.

The Holders may not enforce the provisions of the Indenture, the Notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the applicable series of Notes then outstanding may direct the Trustee in its exercise of any trust or power, *provided, however,* that such direction does not conflict with the terms of the Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest on the Notes of either series or that resulted from the failure to comply with the covenant entitled Repurchase of notes upon Change of Control Triggering Event) if the Trustee determines that withholding such notice is in the Holders interest.

The Company is required to deliver to the Trustee an annual officers certificate stating whether or not the signers know of any continuing Default with respect to either series of Notes by the Company in performing any of its obligations under the Indenture. In addition, the Company is required to deliver to the Trustee written notice of the occurrence of any Default or Event of Default within 30 days after a senior officer of the Company obtains knowledge of such Default or Event of Default.

Additional provisions

The Indenture contains certain other provisions that apply to the Notes. See Description of Debt Securities Amendment, Supplement and Waiver, Defeasance, Concerning the Trustee and Governing Law in the accompanying prospectus.

Certain definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all terms used in the Indenture.

Additional Notes has the meaning set forth in General.

Attributable Debt means, in respect of a Sale and Leaseback Transaction, the present value (discounted at the weighted average effective interest cost *per annum* of the outstanding debt of the Company, compounded semiannually) of the obligation of the lessee for rental payments during the remaining term of the lease included in such transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended or, if earlier, until the earliest date on which the lessee may terminate such lease upon payment of a penalty (in which case the obligation of the lessee for rental payments shall include such penalty), after excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water and utility rates and similar charges.

Bankruptcy Law means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

Capital Stock means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person s capital stock or other equity interests.

Capitalized Lease Obligations of any Person means, at the time any determination thereof is to be made, the obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

Change of Control means:

(1) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Subsidiaries to any Person (other than a Subsidiary of the Company); provided, however, that a transaction where the holders of all classes of Voting Stock of the Company immediately prior to such transaction own, directly or indirectly, Voting Stock representing more than 50% of the voting power of all Voting Stock of such Person immediately after such transaction shall not be a Change of Control;

(2) a person or group (within the meaning of Section 13(d) of the Exchange Act (other than (x) the Company or (y) Donald R. Horton, Terrill J. Horton, or their respective wives, children, grandchildren and other descendants, or any trust or other entity formed or controlled by any of such individuals (each an **Excluded Person**))) publicly discloses, including, without limitation, by filing a Schedule 13D or Schedule TO, or the Company or any of its Subsidiaries publicly discloses, including without limitation, by filing any other schedule, form or report under the Exchange Act (including, without limitation, a Current Report on Form 8-K) disclosing facts indicating that such person or group has become the ultimate beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Voting Stock of the Company representing more than 50% of the voting power of the Voting Stock of the Company; or

(3) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; provided, however, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (1) above shall not constitute a Change of Control.

Any person or group whose acquisition of beneficial ownership constitutes a Change of Control under clause (2) of the foregoing definition in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Excluded Person.

Change of Control Triggering Event with respect to either series of Notes means the occurrence of both a Change of Control and a Ratings Downgrade Event with respect to such series.

Comparable Treasury Issue with respect to either series of Notes means the United States Treasury security selected by at least two Reference Treasury Dealers as having a maturity comparable to the remaining term of the Notes of such series to be redeemed that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes of such series.

Comparable Treasury Price means, with respect to any redemption date for Notes of any series, (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount, on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated Composite 3:30 p.m. Quotations for U.S. Government Securities or (b) if such release (or any successor release) is not published or does not contain such price on such business day, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Consolidated Adjusted Tangible Assets of the Company as of any date means the Consolidated Tangible Assets of the Company and the Guarantors at the end of the fiscal quarter immediately preceding such date *less* (a) the book value of any assets securing any Non-Recourse Indebtedness, and (b) all short term liabilities of the Company and the Guarantors, except for liabilities payable by their terms more than one year from the date of determination (or renewable or extendible at the option of the obligor to a maturity date more than one year after such date) and liabilities in respect of retiree benefits other than persons for which the Company or the Guarantors are required to accrue pursuant to Accounting Standards Codification 715-60 (or any successor provision), in each case as determined in accordance with GAAP.

Consolidated Tangible Assets of the Company as of any date means the book value of the total assets of the Company and the Guarantors (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, less (1) Intangible Assets and (2) appropriate adjustments on account of minority interests of other Persons holding equity investments in Guarantors, in each case as determined in accordance with GAAP.

Credit Facilities means, collectively, each of the credit facilities and lines of credit of the Company or one or more Guarantors in existence on the date of the Indenture and one or more future facilities or lines of credit among or between the Company or one or more Guarantors and one or more lenders pursuant to which the Company or any Guarantor may incur indebtedness for working capital and general corporate purposes (including acquisitions), as any such facility or line of credit may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, increasing the amount of, or restructuring, all or any portion of the Indebtedness under such facility or line of credit or any successor facilities or lines of credit and includes any facility or line of credit with one or more lenders refinancing or replacing all or any portion of the Indebtedness under such facility or line of credit or any successor facility or line of credit; *provided*, in each case, that such credit facility shall provide for commitments, or there shall be loans or other extensions of credit outstanding thereunder, in each case in excess of $50 million.

Currency Agreement of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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Custodian means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

Default means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

Event of Default has the meaning set forth in Events of default.

Fitch means Fitch Ratings.

GAAP means generally accepted accounting principles set forth in the accounting standards codification of the Financial Accounting Standards Board or in such other statements by such or any other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on the Issue Date.

Guarantee with respect to either series of Notes means the guarantee of such series of Notes by each Guarantor under the Indenture.

Guarantors means (i) initially, each of:

C. Richard Dobson Builders, Inc., a Virginia corporation;

CH Investments of Texas, Inc., a Delaware corporation;

CHI Construction Company, an Arizona corporation;

CHTEX of Texas, Inc., a Delaware corporation;

Continental Homes, Inc., a Delaware corporation;

Continental Homes of Texas, L.P., a Texas limited partnership;

Continental Residential, Inc., a California corporation;

D.R. Horton Emerald, Ltd., a Texas limited partnership;

D.R. Horton Schuler Homes, LLC, a Delaware limited liability company;

D.R. Horton Texas, Ltd. , a Texas limited partnership;

D.R. Horton, Inc. Birmingham, an Alabama corporation;

D.R. Horton, Inc. Chicago, a Delaware corporation;

D.R. Horton, Inc. Dietz-Crane, a Delaware corporation;

D.R. Horton, Inc. Fresno, a Delaware corporation;

D.R. Horton, Inc. Greensboro, a Delaware corporation;

D.R. Horton, Inc. Gulf Coast (f/k/a DRH Regrem V, Inc.), a Delaware corporation;

D.R. Horton, Inc. Huntsville (f/k/a DRH Regrem XIII, Inc.), a Delaware corporation;

D.R. Horton, Inc. Jacksonville, a Delaware corporation;

D.R. Horton, Inc. Louisville, a Delaware corporation;

D.R. Horton, Inc. Minnesota, a Delaware corporation;

D.R. Horton, Inc. New Jersey, a Delaware corporation;

D.R. Horton, Inc. Portland, a Delaware corporation;

D.R. Horton, Inc. Sacramento, a California corporation;

D.R. Horton, Inc. Torrey, a Delaware corporation;

D.R. Horton LA North, Inc. (f/k/a DRH Regrem X, Inc.), a Delaware corporation;

D.R. Horton BAY, Inc. (f/k/a D.R. Horton OCI, Inc., D.R. Horton Orange County Inc. and DRH Regrem IX, Inc.), a Delaware corporation;

D.R. Horton Cruces Construction, Inc. (f/k/a DRH Regrem XI, Inc.), a Delaware corporation;

D.R. Horton Los Angeles Holding Company, Inc., a California corporation;

D.R. Horton Management Company, Ltd., a Texas limited partnership;

D.R. Horton Materials, Inc., a Delaware corporation;

D.R. Horton Serenity Construction, LLC (f/k/a DRH Regrem VIII, LLC), a Delaware limited liability company;

D.R. Horton VEN Inc. (f/k/a D.R. LAV Inc. and D.R. Horton San Diego Holding Company, Inc.), a California corporation;

DRH Cambridge Homes, Inc., a California corporation;

DRH Cambridge Homes, LLC, a Delaware limited liability company;

DRH Construction, Inc., a Delaware corporation;

DRH Regrem VII, LP, a Texas limited partnership;

DRH Regrem XII, LP, a Texas limited partnership;

DRH Regrem XIV, Inc., a Delaware corporation;

DRH Regrem XV, Inc., a Delaware corporation;

DRH Regrem XVI, Inc., a Delaware corporation;

DRH Regrem XVII, Inc., a Delaware corporation;