

HORTON D R INC /DE/  
Form 424B3  
April 11, 2006

**Table of Contents**

**The information in this prospectus supplement and the 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 they are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-127461 **SUBJECT TO COMPLETION, DATED APRIL 11, 2006**

**PROSPECTUS SUPPLEMENT**

**(To prospectus dated September 13, 2005)**

	\$500,000,000
	D.R. Horton, Inc.
\$	% Senior Notes due 2011
\$	% Senior Notes due 2016

The 2011 notes will bear interest at the rate of % per year and will mature on April , 2011. The 2016 notes will bear interest at the rate of % per year and will mature on April , 2016. Interest on the 2011 notes and the 2016 notes is payable on April 15 and October 15 of each year, beginning on October 15, 2006.

We may redeem some or all of the notes at any time prior to maturity at the redemption prices set forth in this prospectus supplement under Description of Notes Optional Redemption.

The notes will be unsecured, senior obligations of our company and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness, including our revolving credit facility.

All of our existing and future restricted subsidiaries will guarantee the notes. The guarantees will be unsecured and will rank equally with all existing and future unsecured and unsubordinated indebtedness of the guarantors, including their guarantees of our revolving credit facility.

**Investing in the notes involves risks. See Risk Factors beginning on page S-10.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Investors(1)	Underwriting Discount	Proceeds to D.R. Horton, Inc. (before net expenses)(2)
Per 2011 note	%	%	%
Total	\$	\$	\$
Per 2016 note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest from April , 2006, if settlement occurs after that date

(2) See Underwriting

The underwriter expects to deliver the notes to purchasers on or about April , 2006.

**Banc of America Securities LLC**  
April , 2006

*Joint Bookrunning Managers*  
**UBS Investment Bank**

**Wachovia Securities**

---

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

**TABLE OF CONTENTS**

**Prospectus Supplement**

<u>Incorporation by reference</u>	ii
<u>Forward-looking statements</u>	iv
<u>Prospectus supplement summary</u>	S-1
<u>Risk factors</u>	S-10
<u>Use of proceeds</u>	S-17
<u>Capitalization</u>	S-18
<u>Description of notes</u>	S-20
<u>Underwriting</u>	S-39
<u>Legal matters</u>	S-40
<u>Experts</u>	S-40

**Prospectus**

Forward-Looking Statements	i
Risk Factors	1
The Company	6
The Trusts	7
Securities We May Offer	9
Use of Proceeds	10
Summary Consolidated Financial Information and Operating Data	11
Ratio of Earnings To Fixed Charges	14
Description of Debt Securities	14
Description of Common Stock, Preferred Stock and Depositary Shares	17
Description of Warrants	21
Description of Stock Purchase Contracts and Stock Purchase Units	22
Description of Units	22
Description of Trust Preferred Securities	22
Plan of Distribution	32
Legal Matters	33
Experts	33
Where You Can Find More Information	34
Incorporation of Certain Documents by Reference	34

**Table of Contents****Incorporation by reference**

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 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.

<b>Filing</b>	<b>Period or Date Filed</b>
Annual Report on Form 10-K	Year ended September 30, 2005
Quarterly Report on Form 10-Q	Quarter ended December 31, 2005
Current Reports on Form 8-K	November 1, 2005
	November 23, 2005
	December 5, 2005
	December 21, 2005
	January 10, 2006 (Item 8.01 only)
	February 1, 2006
	February 14, 2006
	March 3, 2006
	March 30, 2006
	April 11, 2006
	April 11, 2006

*Pages 4 through 12 under the caption Election of Directors, page 21 under the caption Approve the D.R. Horton, Inc. 2006 Stock Incentive Plan Securities Authorized for Issuance Under Equity Compensation Plans, pages 24 and 25 under the caption Beneficial Ownership of Common Stock, pages 26 through 28 under the caption Executive Compensation, through the caption Compensation Committee Interlocks and Insider Participation, pages 33 through 35 under the caption Meetings and Committees of the Board, pages 35 through 36 under the caption Independent Registered Public Accountants, page 38 under the captions Section 16(a) Beneficial Ownership Reporting Compliance and Requesting Documents from the Company, contained in our Proxy Statement relating to our January 26, 2006 annual meeting of stockholders and incorporated into our Annual Report on Form 10-K.*

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, prior to the termination of this offering of notes. 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 under Items 2.02 and 7.01, which is deemed not to be incorporated by reference in this prospectus supplement), as well as proxy statements (other than information identified in them as not incorporated by reference). You should review these filings as they may disclose a change 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.

**Table of Contents**

**Incorporation by reference**

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. You can obtain documents 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



## Table of Contents

### Prospectus supplement 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 into them by reference, including the financial statements and their accompanying notes. Unless the context otherwise requires, the terms **D.R. Horton**, the **Company**, **we** and **our** refer to D.R. Horton, Inc., a Delaware corporation, and its predecessors and subsidiaries.*

### **D.R. HORTON, INC.**

D.R. Horton, Inc. is the largest homebuilding company in the United States, based on our domestic homes closed during the twelve months ended September 30, 2005. We construct and sell high quality single-family homes through our operating divisions in 26 states and 77 metropolitan markets of the United States, primarily under the name of D.R. Horton, *America's Builder*. D.R. Horton, Inc. is a Fortune 500 company, and our common stock is included in the S&P 500 Index and listed on the New York Stock Exchange under the ticker symbol **DHI**.

Donald R. Horton began our homebuilding business in 1978. In 1991, we were incorporated in Delaware to acquire the assets and businesses of our predecessor companies, which were residential home construction and development companies owned or controlled by Mr. Horton. In 1992, we completed our initial public offering of our common stock. From inception, we have consistently grown the size of our company by investing our available capital into our existing homebuilding markets and into start-up operations in new markets. Additionally, we have acquired numerous other homebuilding companies, the most recent of which was in 2002, which have strengthened our market position in existing markets and expanded our geographic presence and product offerings in other markets. The success of our organic growth strategies and our effective acquisition strategy has enabled us to become the largest homebuilding company in the United States, a distinction we have maintained for our last four fiscal years. Our homes generally range in size from 1,000 to 5,000 square feet and range in price from \$90,000 to \$900,000. For the year ended September 30, 2005, we closed 51,172 homes with an average closing sales price of approximately \$261,400. For the three months ended December 31, 2005, we closed 9,891 homes with an average closing sales price of approximately \$282,000.

Through our financial services operations, we provide mortgage banking and title agency services to homebuyers in many of our homebuilding markets. DHI Mortgage, our wholly-owned subsidiary, provides mortgage financing services, principally to purchasers of homes we build and sell. Our subsidiary title companies serve as title insurance agents by providing title insurance policies, examination and closing services, primarily to purchasers of homes we build and sell.

Our financial reporting segments consist of homebuilding and financial services. Our homebuilding operations are by far the most substantial part of our business, comprising approximately 98% of consolidated revenues and 96% of consolidated income before income taxes for the year ended September 30, 2005 and the three months ended December 31, 2005. Our homebuilding segment generates the majority of its 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, the homebuilding segment also builds attached homes, such as town homes, duplexes, triplexes and condominiums (including some mid-rise buildings), which share common walls and roofs. The sale of detached homes generated approximately 83% of home sales revenues for the year ended September 30, 2005 and 84% of home sales revenues for the three months ended December 31, 2005. Our financial services segment generates its revenues from originating and selling mortgages and collecting fees for title insurance and closing services. Financial information, including revenue, pre-tax income and identifiable assets, for both of our reporting segments is included in our consolidated

**S-1**



## **Table of Contents**

financial statements, which are incorporated by reference into this prospectus supplement from our annual report on Form 10-K for the year ended September 30, 2005 and from our quarterly report on Form 10-Q for the quarter ended December 31, 2005.

For more information about our business, please refer to the Business section in our annual report on Form 10-K for the year ended September 30, 2005, and the Management's Discussion and Analysis of Financial Condition and Results of Operations section in our quarterly report on Form 10-Q for the quarter ended December 31, 2005. Our principal executive offices are 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](http://www.drhorton.com). Information on our Internet website is not part of this prospectus supplement.

### **RECENT DEVELOPMENTS**

#### **Quarterly cash dividend**

In January 2006, we declared a cash dividend of ten cents (\$0.10) per share. The dividend represents a 48% increase over the \$0.0675 per share quarterly cash dividend declared in the same quarter of 2005, as adjusted for the four-for-three stock split of March 2005. The quarterly cash dividend, which totaled \$31.2 million, was paid on February 10, 2006.

#### **Charter amendment**

In January 2006, we amended our charter to increase the number of authorized shares of common stock to one billion shares. The amendment was approved by our stockholders at our January 26, 2006 annual meeting of stockholders.

#### **2006 Stock incentive plan**

On January 26, 2006, our stockholders approved the D.R. Horton, Inc. 2006 Stock Incentive Plan, which replaced our 1991 Stock Incentive Plan. The aggregate number of shares available under the 2006 Stock Incentive Plan include the new authorization of 28.0 million shares, plus approximately 1.9 million shares that remained available for awards under the 1991 Stock Incentive Plan on that date. Total shares available for awards under the 2006 Stock Incentive Plan are subject to increase by subsequent specified terminations of awards under the 1991 Stock Incentive Plan that were outstanding on January 26, 2006. For awards other than options or stock appreciation rights, availability will be reduced at the rate of 1.75 shares for each share subject to the award.

#### **Voluntary redemption of 9.375% senior subordinated notes due 2011**

On March 15, 2006, we fully redeemed our 9.375% senior subordinated notes due 2011 at a price of \$1,046.88 per \$1,000 note outstanding. This resulted in an aggregate redemption payment of approximately \$209.4 million.

#### **Amendments to credit facilities of our financial services segment**

On March 24, 2006, our mortgage subsidiary amended its commercial paper conduit facility to increase the maximum capacity under the facility from \$500 million to \$650 million. On April 7, 2006, our mortgage subsidiary amended and restated its mortgage warehouse loan facility to extend the maturity date to April 6, 2007, and to increase the available capacity to \$670 million until May 1, 2006 and then to \$540 million thereafter, subject to increases upon consent of the lenders to \$750 million under the accordion feature of the facility. The commercial paper conduit facility and the mortgage warehouse loan facility are secured by mortgage loans held for sale and are not guaranteed by us or any of the guarantors of our homebuilding debt.

#### **Termination of specified covenants in outstanding senior notes**

The indentures governing approximately \$2,000.0 million of our senior notes provide for the termination of specified covenants when we have achieved investment grade ratings from both

**S-2**

---

## **Table of Contents**

Standard & Poor's Ratings Group and Moody's Investors Service Inc. These covenants include restrictions on our stock repurchases, cash dividends and other restricted payments, incurrence of indebtedness and asset dispositions. We have had the required rating from Moody's since November 2005, and we received the required rating from Standard & Poor's in April 2006. As a result, the foregoing restrictions have ceased to apply to these senior notes and will not apply in the future even if our ratings change. However, similar restrictions continue to apply to our senior subordinated notes.

### **Recent sales orders**

For the fiscal quarter ended March 31, 2006, our net sales orders increased to 15,771 homes (\$4,363.2 million), compared to 14,401 homes (\$4,098.6 million) for the same quarter of fiscal 2005. This represents a 10% increase based on the number of homes and a 6% increase based on the value of homes. For the six months ended March 31, 2006, our net sales orders increased to 27,234 homes (\$7,530.0 million), compared to 24,302 homes (\$6,754.4 million) for the same period of fiscal 2005. This represents a 12% increase based on the number of homes and an 11% increase based on the value of homes.

Net sales orders represent the number and dollar value of new sales contracts executed with customers, net of sales contract cancellations. The overall increase in the number and value of net sales orders resulted from increases in a majority of our market regions, reflecting the successful execution of our organic growth strategies and the generally solid demand for our homes. The largest percentage increases in net sales orders occurred in our Southeast and Southwest regions in the three and six months ended March 31, 2006. The increase in our Southeast region was due to strong sales in our Georgia and Alabama markets, as well as our entry into the Baton Rouge, Louisiana market in the first quarter of fiscal 2006, which more than offset the lower sales in some Florida markets. The increase in the Southwest region was due to particularly strong sales performances from our operating divisions in New Mexico and Texas, which more than offset lower sales in Arizona. Conversely, weaker sales in our Chicago market during the three-month period ended March 31, 2006 contributed to decreases in net sales orders in our Midwest region during both periods. The decline in sales in our Chicago market was due to strong sales from the opening of a large, affordably priced community in the three-month period ended March 31, 2005.

The average price of a net sales order in the three months ended March 31, 2006 was \$276,700, a decrease of 3% from the \$284,600 average in the comparable period of 2005. The average price of a net sales order in the six months ended March 31, 2006 was \$276,500, a decrease of 1% from the \$277,900 average in the comparable period of 2005.

Although slight to moderate increases in average net sales order prices occurred in two of our regions, our Mid-Atlantic, Southeast and West regions experienced decreases of 10%, 5% and 4%, respectively, for the quarter. With an intent that our core product offerings remain affordable for our target customer base, typically first-time and move-up homebuyers, we continually monitor and may adjust our product and geographic mix and pricing within our homebuilding markets, sometimes resulting in a decrease in the average price. In the Mid-Atlantic region, the decline is attributable to our efforts to provide affordable products, as well as a shift in the geographic mix with strong sales gains in all markets in the Carolinas, which generally have lower average sales prices than the other markets in this region. In the Southeast region, we experienced significant sales increases outside of Florida in markets with much lower house prices resulting in an overall drop in average sales prices for this region. We continued to see increases in the average selling prices among almost all of our Florida divisions over the prior year periods. In the West region, home price appreciation in many California and Nevada markets more than offset the impact of our product affordability strategies during fiscal 2005, resulting in an increase in the average sales order price in the region. During the three and six months ended March 31, 2006, home price appreciation moderated in several of these markets, which contributed to the decline in the West region average sales order price during such periods.

**S-3**

**Table of Contents**

**THE OFFERING**

Issuer	D.R. Horton, Inc., a Delaware corporation.
The Notes	<p>\$500 million aggregate principal amount of notes, consisting of:</p> <p>\$        million aggregate principal amount of        % senior notes due 2011;</p> <p>\$        million aggregate principal amount of        % senior notes due 2016.</p>
Maturity	The 2011 notes will mature on April        , 2011. The 2016 notes will mature on April        , 2016.
Payment of Interest	Interest on the notes will accrue from April        , 2006 and will be payable semi-annually on each April 15 and October 15, commencing October 15, 2006.
Optional Redemption	<p>We may, at our option, redeem the notes in whole or in part at any time at a redemption price equal to the greater of (1) 100% of the principal amount of the notes being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury rate plus (1)        basis points (0.        %) with respect to the 2011 notes or (2)        basis points (0.        %) with respect to the 2016 notes, plus, in each case, accrued and unpaid interest on the notes to the redemption date. See Description of Notes Optional Redemption.</p>
Guarantees	Each guarantor is our wholly-owned subsidiary that is a restricted subsidiary under the supplemental indenture for these notes. However, not all of our wholly-owned subsidiaries are guarantors of these notes. The guarantors do not include our subsidiaries that are engaged in the financial services segment. If we cannot make payments on the notes when they are due, the guarantor subsidiaries must make them.
Ranking	<p>The notes are our general obligations and will not be secured by any collateral. Your right to payment under the notes will be:</p> <p>junior to the rights of our secured creditors to the extent of the value of their security in our assets;</p> <p>equal with the rights of creditors under our other unsecured unsubordinated debt, including our revolving credit facility; and</p> <p>senior to the rights of creditors under our debt that is expressly subordinated to these notes.</p>

S-4

**Table of Contents**

The guarantees of our existing and future restricted subsidiaries will also not be secured by any collateral. Your right to payment under any guarantee will be:

junior to the rights of secured creditors to the extent of their security in the guarantors' assets;

equal with the rights of creditors under the guarantors' other unsecured unsubordinated debt, including the guarantors' guarantees of our revolving credit facility; and

senior to the rights of creditors under the guarantors' debt that is expressly subordinated to the guarantees.

At March 31, 2006, assuming we had completed this offering of notes, D.R. Horton, Inc. and the guarantors would have had approximately \$       million of debt outstanding, including the notes being offered by this prospectus supplement. Of this debt, \$63.3 million would have been secured debt, \$       million would have been unsubordinated unsecured debt that ranked equally with the notes being offered by this prospectus supplement, and \$299.1 million would have been subordinated to these notes. In addition, at such date, our non-guarantor subsidiaries had approximately \$675.0 million of debt outstanding.

**Certain Covenants**

We will issue the notes under an indenture as supplemented by a separate supplemental indenture for each series. We refer to the indenture, as supplemented, as the "indenture" as to each Series. The indenture, among other things, restricts our ability and the ability of our restricted subsidiaries to:

use assets as security in other transactions;

engage in sale and leaseback transactions; 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."

**Use of Proceeds**

We intend to use the proceeds from this offering to reduce borrowings under our revolving credit facility. For more details, see the section "Use of Proceeds."

See "Risk Factors" beginning at page S-10 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.

**S-5**

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA**

The following summary consolidated financial information for the five years ended September 30, 2005 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, 2005 and 2004 is derived from our unaudited 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.

	<b>Three months ended December 31,</b>		<b>Year ended September 30,</b>				
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>(In millions, except per share amounts and number of homes)</b>							
<b>Income statement data<sup>(1)</sup> :</b>							
Revenues:							
Homebuilding	\$ 2,841.8	\$ 2,474.1	\$ 13,628.6	\$ 10,658.0	\$ 8,552.1	\$ 6,625.2	\$ 4,383.6
Financial services	61.3	46.0	235.1	182.8	176.0	113.6	72.0
Gross profit homebuilding	805.4	627.0	3,488.3	2,460.7	1,746.3	1,260.8	856.4
Income before income taxes:							
Homebuilding	480.1	374.2	2,273.0	1,508.2	914.7	591.1	380.8
Financial services	20.0	17.6	105.6	74.7	93.5	56.4	27.0
Income before cumulative effect of change in accounting principle <sup>(2)</sup>	310.1	241.0	1,470.5	975.1	626.0	404.7	254.9
Cumulative effect of change in accounting principle, net of income taxes <sup>(3)</sup>							2.1
Net income	310.1	241.0	1,470.5	975.1	626.0	404.7	257.0
Income before cumulative effect of change in accounting principle per share <sup>(4)</sup> :							
Basic	0.99	0.77	4.71	3.14	2.11	1.51	1.12
Diluted <sup>(2)(5)</sup>	0.98	0.76	4.62	3.09	1.99	1.39	1.07
Net income per share <sup>(4)</sup> :							
Basic	0.99	0.77	4.71	3.14	2.11	1.51	1.13
Diluted <sup>(5)</sup>	0.98	0.76	4.62	3.09	1.99	1.39	1.08
<b>Selected operating data<sup>(1)</sup> :</b>							
Gross profit margin homebuilding	28.3%	25.3%	25.6%	23.1%	20.4%	19.0%	19.5%

Number of homes closed	9,891	9,680	51,172	43,567	35,934	29,761	21,371
Net sales orders (homes) <sup>(6)</sup>	11,463	9,901	53,232	45,263	38,725	31,491	22,179
Net sales orders (\$ value) <sup>(6)</sup>	\$ 3,166.8	\$ 2,655.7	\$ 14,643.4	\$ 11,406.2	\$ 9,162.3	\$ 6,885.9	\$ 4,502.6
Sales order backlog at end of period (homes) <sup>(7)</sup>	20,816	17,405	19,244	17,184	15,488	12,697	9,263
Sales order backlog at end of period (\$value) <sup>(7)</sup>	\$ 6,213.0	\$ 4,775.2	\$ 5,835.2	\$ 4,568.5	\$ 3,653.4	\$ 2,825.2	\$ 1,933.8
<b>Other financial data<sup>(1)</sup> :</b>							
Interest expensed:							
Expensed directly	\$ 12.7	\$ 2.4	\$ 21.2	\$ 9.3	\$ 12.6	\$ 11.5	\$ 14.1
Amortized to cost of sales	43.8	42.9	225.0	249.0	219.4	136.2	91.4
Provision for income taxes	190.0	150.8	908.1	607.8	382.2	242.8	152.9
Depreciation and amortization	12.7	14.0	52.8	49.6	41.8	32.8	31.2
Interest incurred <sup>(8)</sup>	81.9	60.9	294.1	242.6	246.9	204.3	136.3

S-6

**Table of Contents**

	As of December 31,		As of September 30,				
	2005	2004	2005	2004	2003	2002	2001
	(in millions)						
Balance sheet data <sup>(1)</sup> :							
Inventories	\$ 10,074.1	\$ 7,493.3	\$ 8,486.8	\$ 6,567.4	\$ 5,082.3	\$ 4,343.1	\$ 2,804.4
Total assets	12,813.3	9,698.7	12,514.8	8,985.2	7,279.4	6,017.5	3,652.2
Notes payable	5,114.7	3,926.8	4,909.6	3,499.2	2,963.2	2,878.3	1,884.3
Stockholders' equity	5,612.9	4,190.1	5,360.4	3,960.7	3,031.3	2,269.9	1,250.2

- (1) On February 21, 2002, we acquired Schuler Homes in a merger. The total merger consideration consisted of 20,079,532 shares of D.R. Horton common stock (before any of our stock splits), valued at \$30.93 per share; \$168.7 million in cash; \$802.2 million of assumed Schuler debt, \$238.2 million of which was paid at closing; \$218.7 million of assumed trade payables and other liabilities; and \$10.8 million of assumed obligations to the Schuler entities' minority interest holders. Schuler's revenues for the period February 22, 2002 through September 30, 2002 were \$1,246.6 million.
- (2) Beginning in fiscal 2002, pursuant to our adoption of Statement of Financial Accounting Standards No. 142, we no longer amortize goodwill, but test it for impairment annually. If we had not amortized goodwill in fiscal 2001, reported net income and diluted net income per share (before cumulative effect of change in accounting principle and adjusted to reflect the effects of the three-for-two common stock splits, effected as 50% stock dividends and paid on April 9, 2002 and January 12, 2004, and the four-for-three common stock split, effected as a 33 1/3% stock dividend and paid on March 16, 2005) would have been:

	Income Before Cumulative Effect of Change in Accounting Principle			Diluted Income Before Cumulative Effect of Change in Accounting Principle per Share		
	(In millions)					
	Originally Reported	Increase	Excluding Goodwill Amortization	Including Goodwill Amortization	Increase	Excluding Goodwill Amortization
2001	\$ 254.9	\$ 6.0	\$ 260.9	\$ 1.07	\$ 0.03	\$ 1.10

- (3) In fiscal 2001, we recorded a cumulative effect of a change in accounting principle of \$2.1 million, net of income taxes of \$1.3 million, as an adjustment to net income, related to our adoption of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*.
- (4) Per share amounts reflect the effects of the three-for-two stock splits of April 2002 and January 2004, and the four-for-three stock split of March 2005.
- (5) In October 2004, the Financial Accounting Standards Board ratified EITF Issue No. 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings per Share* (EITF 04-8). EITF 04-8 requires that shares underlying contingently convertible debt be included in diluted earnings per share computations using the

*if-converted method regardless of whether the market price trigger or other contingent features have been met. The effective date for EITF 04-8 is for reporting periods ending after December 15, 2004. EITF 04-8 also requires restatement of earnings per share amounts for prior periods presented during which the instrument was outstanding. In May 2001, we issued zero coupon convertible senior notes, which were converted into shares of our common stock in June 2003. During certain quarters of the years ended September 30, 2003, 2002 and 2001, the market price trigger was not met and the convertible shares were not included in the computation of diluted net income per share. The adoption of EITF 04-8 reduced our diluted net income per share for the years ended September 30, 2003, 2002 and 2001 by \$0.06, \$0.05 and \$0.03, respectively (each adjusted to reflect the effects of the three-for-two common stock splits, effected as 50% stock dividends and paid on April 9, 2002 and January 12, 2004, and the four-for-three common stock split, effected as a 33 1/3% stock dividend and paid on March 16, 2005).*

S-7

---



**Table of Contents**

- (6) *Represents homes placed under contract during the period, net of cancellations.*
- (7) *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, which can result in cancellations. In the past, our backlog has been a reliable indicator of the level of closings in our two subsequent fiscal quarters, although 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.*
- (8) *Interest incurred consists of all interest costs, whether expensed or capitalized, including amortization of debt issuance costs, if applicable.*

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the five years ended September 30, 2005 and for the three months ended December 31, 2005:

	<b>Three months ended December 31,</b>		<b>Year ended September 30,</b>			
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Ratio	6.54	8.60	7.39	4.95	3.81	3.69

For purposes of computing the ratio of earnings to fixed charges, earnings consist of income, including distributions received from equity investments, before income taxes, cumulative effect of a change in accounting principle, interest expensed, interest amortized to cost of sales and income attributable to minority 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.

**S-8**

---

**Table of Contents**

Risk factors

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

**RISKS RELATING TO OUR BUSINESS**

**Because of the cyclical nature of our industry, future changes in general economic, real estate construction or other business conditions could adversely affect our business or our financial results.**

*Cyclical Industry.* The homebuilding industry is cyclical and is significantly affected by changes in general and local economic conditions, such as:

employment levels;

availability of financing for homebuyers;

interest rates;

consumer confidence;

demographic trends; and

housing demand.

These may occur on a national scale or may affect some of the regions or markets in which we operate more than others. If adverse conditions affect any of our larger markets, they could have a proportionately greater impact on us than some other homebuilding companies.

An oversupply of alternatives to new homes, such as rental properties and used or foreclosed homes, including homes held for sale by investors, could also depress new home prices and reduce our margins on the sales of new homes.

*Risks Related to National Security.* Continued military deployments in the Middle East and other overseas 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 national economy.

*Inventory Risks.* Inventory risks can be substantial for our homebuilding business. Our long-term ability to build homes depends upon our acquiring land suitable for residential building at affordable prices in locations where our potential customers want to live. We must anticipate demand for new homes and continuously seek and make acquisitions of land for replacement and expansion of land inventory within our current markets and for expansion into new markets. In some markets, this has become more difficult and costly.

Our current goal is to own or control approximately a three to four year supply of land and building lots. The risks inherent in controlling or purchasing and developing land increase as consumer demand for housing decreases. Thus, we may have acquired options on or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell homes profitably. Our deposits for building lots controlled under option or similar contracts may be put at risk. The market value of undeveloped land, building lots and housing inventories can also fluctuate significantly as a result of changing market conditions. We cannot make any assurances that the measures we employ to manage inventory risks and costs will be successful.

## **Table of Contents**

### **Risk factors**

In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing project or market. In the event of significant changes in economic or market conditions, we may have to sell homes or land for a lower profit margin or at a loss.

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

shortages of qualified trades people;

reliance on local subcontractors, who may be inadequately capitalized;

shortages of materials; and

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.

*Risks from Nature.* Weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, volcanic activity, droughts, floods and wildfires, 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 and Texas, where we have some of our larger operations, present increased risks of adverse weather or natural disaster.

*Possible Consequences.* As a result of the foregoing matters, in the future, potential customers may be less willing or able to buy our homes, or we may take longer or incur more costs to build them. We may not be able to recapture increased costs by raising prices in many cases because of market conditions or because we fix our prices in advance of delivery by signing home sales contracts. We may be unable to change the mix of our home offerings or the affordability of our homes to maintain our margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase beyond historical rates as homebuyers cancel or do not honor their contracts. We have recently experienced a small increase in cancellations above historical rates, principally in Arizona and Florida, although our sales orders, net of cancellations, have continued to grow. 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 could also adversely affect the financial results of this segment of our business. A return of consumer preferences for adjustable-rate and other low-margin loans could also adversely affect our financial services results. An increase in the default rate on the mortgages we originate could adversely affect the pricing we receive upon the sale of mortgages that we originate in the future.

**Future increases in interest rates, reductions in mortgage availability or increases in the effective costs of owning a home could prevent potential customers from buying our homes and adversely affect our business or our financial results.**

Most of our customers finance their home purchases through lenders providing mortgage financing. Interest rates have been at historical lows for a significant time. Many homebuyers have also chosen adjustable rate, interest only or other mortgages that involve initial lower monthly payments. As a result, new homes have been more affordable. Increases in interest rates or decreases in the availability of mortgage financing, however, could reduce the market for new homes. Potential homebuyers may be less willing or able to pay the increased monthly costs or to obtain mortgage financing that exposes them to interest rate changes. Lenders may increase the qualifications needed for mortgages or adjust their terms to address any increased credit risk. Even if potential customers do not need financing,

## Table of Contents

### **Risk factors**

changes in interest rates and mortgage availability could make it harder for them to sell their current homes to potential buyers who need financing. These matters could adversely affect the sales or pricing of our homes and could also reduce the volume or margins in our financial services business. The impact on our financial services business could be compounded to the extent we are unable to match interest rates and amounts on loans we have committed to originate through the various hedging strategies we employ.

In addition, we believe that the availability of FHA and VA mortgage financing is an important factor in marketing some of our homes. We also believe that the liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry is important to the housing market. However, the federal government has recently sought to reduce the size of the home-loan portfolios and operations of these two government-sponsored enterprises. Any limitations or restrictions on the availability of the financing or on the liquidity provided by them could adversely affect interest rates, mortgage financing and our sales of new homes and mortgage loans.

Significant expenses of owning a home, including mortgage interest expense 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 recently, to eliminate or substantially modify these income tax deductions, the after-tax cost of owning a new home could increase for many of our potential customers. The resulting 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.

#### **Governmental regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations 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 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. 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 homebuilding.

New housing developments may be subject to various assessments for schools, parks, streets and other public improvements. These can cause an increase in the effective prices for our homes. In addition, increases in property tax rates by local governmental authorities, as recently experienced in response to reduced federal and state funding, can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

We also are subject to a variety of local, state and federal laws and regulations concerning protection of health, safety 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 and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas.

Our financial services operations are also subject to numerous federal, state and local laws and regulations. These include eligibility requirements for participation in federal loan programs and compliance with consumer lending and similar requirements such as disclosure requirements, prohibitions against discrimination and real estate settlement procedures. They may also subject our

## **Table of Contents**

### **Risk factors**

operations to examination by the applicable agencies. These may limit our ability to provide mortgage financing or title services to potential purchasers of our homes.

#### **Our substantial debt could adversely affect our financial condition.**

We have a significant amount of debt. As of March 31, 2006, our consolidated debt was \$5,523.7 million. In the ordinary course of business, we may incur significant additional debt, to the extent permitted by our revolving credit facility and our indentures.

*Possible Consequences.* The amount of our debt could have important consequences. For example, it could:

limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements or other requirements;

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 purposes;

limit our flexibility in planning for, or reacting to, the changes in our business;

place us at a competitive disadvantage because we have more debt than some of our competitors; and

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

*Dependence on Future Performance.* Our ability to meet our debt service and other obligations will depend upon our future financial performance. We are engaged in businesses that are substantially affected by changes in economic conditions. 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 securities, 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 credit facilities bear interest at floating rates and our interest rate swap agreements fix our interest rate for only a portion of these borrowings.

As of March 31, 2006, the scheduled maturities of principal on our outstanding debt for the subsequent 12 months totaled \$711.1 million, including \$675.0 million in financial services debt that must be renewed annually. This amount includes \$340.0 million under our mortgage warehouse loan facility that we renewed in April 2006 and \$335.0 million under our commercial paper conduit facility that we plan to renew and extend prior to its maturity in June 2006. Based on the current level of operations, we believe our cash flow from operations, available cash, available borrowings under our credit facilities and our ability to access the capital markets and to refinance or renew our credit facilities in a timely manner will be adequate to meet our future cash needs. We cannot, however, make any assurances that in the future our business will generate sufficient cash flow from operations or that borrowings or access to the capital markets or refinancing or renewal facilities will be available to us in amounts sufficient to enable us to pay or refinance our indebtedness or to fund other cash needs.

*Indenture and Revolving Credit Facility Restrictions.* Our revolving credit facility and the indentures governing our senior subordinated notes impose restrictions on our operations and activities. The most significant restrictions relate to limits on investments, cash dividends, stock repurchases and other restricted payments, incurrence of indebtedness, creation of liens and asset dispositions, and require maintenance of a maximum leverage ratio, a minimum ratio of EBITDA to interest incurred, minimum

## Table of Contents

### **Risk factors**

levels of tangible net worth and compliance with other financial covenants. In addition, our indentures governing our senior notes impose restrictions on the creation of liens. If we fail to comply with any of these restrictions or covenants, the trustees, the noteholders or the lending banks, as applicable, could cause our debt to become due and payable prior to maturity. If we do not maintain our current credit ratings, available credit under our revolving credit facility is subject to limitations based on specified percentages of unsold homes, developed lots and lots under development included in inventory and the amount of other senior unsecured indebtedness.

*Change of Control Purchase Options.* If a change of control occurs as defined in the indentures governing many other series of our senior and senior subordinated notes, constituting \$2,294.8 million principal amount in the aggregate as of March 31, 2006, 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. Moreover, a change of control may also result in the acceleration of our revolving credit facility. If purchase offers were required under the indentures for these notes or our revolving credit facility debt were accelerated, we can give no assurance that we would have sufficient funds to pay the amounts that we would be required to repurchase or repay. We currently would not have sufficient funds available to purchase all of such outstanding debt upon a change of control.

*Impact of Financial Services Debt.* Our financial services business is conducted through subsidiaries that are not restricted by our indentures, including the indenture for the notes offered by this prospectus supplement, or revolving credit facility. The ability of our financial services segment to provide funds to our homebuilding operations, however, is subject to restrictions in its own credit facilities. These funds will not be available to us in the event of defaults under these facilities. Moreover, our right to receive assets from these subsidiaries upon 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.

### **Homebuilding and financial services are very competitive, and competitive conditions could adversely affect our business or our 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 other local, regional and national homebuilders, including those with a sales presence on the Internet, often within larger subdivisions designed, planned and developed by such homebuilders. The competitive conditions in the homebuilding industry could result in:

difficulty in acquiring suitable land at acceptable prices;

increased selling incentives;

lower sales or profit margins; or

delays in construction of our homes.

Our financial services business competes with other mortgage lenders, including national, regional and local mortgage banks, savings and loan associations and other financial institutions. Mortgage lenders with greater access to capital markets or different lending criteria may be able to offer more attractive financing to potential customers.

If we are affected by these competitive conditions at increased levels, our business and financial results could be adversely affected.

## **Table of Contents**

### **Risk factors**

#### **Our future growth may require additional capital, which may not be available.**

Our operations require significant amounts of cash, and our requirements for capital typically increase in the third and fourth quarters of our fiscal year. We may be required to seek additional capital, whether from sales of equity or debt or additional bank borrowings, for the future growth and development of our business. We can give no assurance as to the availability of such additional capital or, if available, whether it would be on terms acceptable to us. Moreover, the indentures for most of our outstanding public debt and the covenants of our revolving credit facility contain provisions that may restrict the debt we may incur in the future. If we are not successful in obtaining sufficient capital, it could reduce our sales and may adversely affect our future growth and financial results.

#### **We cannot make any assurances that our growth strategies will be successful.**

Since 1993, we have acquired many homebuilding companies. Although we have recently focused on internal growth, we may make strategic acquisitions of homebuilding companies in the future. Successful strategic acquisitions require the integration of operations and management and other efforts to realize the benefits that may be available. Although we believe that we have been successful in doing so in the past, we can give no assurance that we would be able to identify, acquire and integrate successfully 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 the risk of writing off goodwill related to such acquisitions based on the subsequent results of the reporting units to which the acquired businesses were assigned. Moreover, we may not be able to implement successfully our operating and growth strategies within our existing markets.

#### **Homebuilding is subject to warranty and product liability claims in the ordinary course of business that can be significant.**

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. As a consequence, we maintain product liability insurance, obtain indemnities and certificates of insurance from subcontractors generally covering claims related to workmanship and materials, and create 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 warranty and construction defect claims in the future. 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 currently limited and costly. We have responded to the recent 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.

## **Table of Contents**

### **Risk factors**

#### **Risks Relating to the Notes**

##### **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.

##### **The indentures for the notes do not require us to offer to purchase the notes upon a change of control and have limited restrictions on other important events.**

The indentures governing the notes offered by this prospectus supplement, unlike the indentures for many of our other senior and senior subordinated notes, do not require that we offer to repurchase the notes if a change of control occurs. Moreover, the indentures do not restrict an acquisition by a highly leveraged buyer or prohibit the buyer from incurring additional debt including, subject to the limitations described in Description of Notes Certain Covenants Restrictions on Secured Debt, significant amounts of secured debt. Any such secured debt would be senior to the rights of holders of the notes offered by this prospectus supplement to the extent of the value of its security. This might reduce the cash available to us, or to anyone who may acquire us, and impair our ability, or the ability of anyone who may acquire us, to make payments on the notes.

##### **The indentures for the notes have covenants that are different from those in the indentures for our senior subordinated notes.**

The indentures governing our senior subordinated notes impose restrictions on our operations and activities greater than those imposed by the indentures governing the notes offered by this prospectus supplement. The most significant restrictions relate to limits on investments, stock repurchases, cash dividends and other restricted payments, incurrence of indebtedness, creation of liens and asset dispositions, and require maintenance of a minimum level of tangible net worth. If we fail to comply



**Table of Contents**

**Risk factors**

with any of these restrictions or covenants, the noteholders could cause our debt to become due and payable prior to maturity.

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

We do not intend to apply for listing of the notes on a securities exchange or on any other market. The underwriter has informed us that it intends to make a market in the notes. However, the underwriter is not obligated to do so, and may cease any market-making activities at any time without notice. We cannot assure you that an active trading market will develop for the notes, that you will be able to sell your notes, or that, even if you can sell them, you will be able to do so at an acceptable price. The notes could trade at prices that are higher or lower than the initial offering price depending on many factors, including the number of holders of the notes, the overall market for similar securities, our financial performance and prospects, and prospects for companies in our industry generally.

**Use of proceeds**

We estimate that we will receive net proceeds from this offering of approximately \$            million, after deducting the estimated net offering expenses payable by us. We intend to use the net proceeds from the offering to reduce borrowings under our revolving credit facility. As of March 31, 2006, \$1,350.0 million principal amount of borrowings and \$110.0 million in letters of credit for our account were outstanding under our revolving credit facility. Amounts paid to reduce borrowings under our revolving credit facility will remain available for future borrowings. Borrowings under our revolving credit facility are available, subject to satisfaction of customary borrowing conditions, for our homebuilding operations, acquisitions, working capital, repayment of debt and other general corporate purposes. Borrowings under our revolving credit facility bear interest at rates based upon the London Interbank Offered Rate (LIBOR) plus a margin that is currently 0.75%; however, \$200.0 million of the borrowings under the revolving credit facility is subject to interest rate swap agreements that effectively fix the annual rate at 5.1% for such amount.

**Table of Contents****Capitalization**

The following table sets forth our capitalization as of December 31, 2005, and as adjusted to reflect the sale of \$500 million aggregate principal amount of notes and the use of the estimated net proceeds.

	As of December 31, 2005	
	Actual	Adjusted <sup>(1)</sup>
	(in millions)	
Homebuilding debt:		
Notes payable under revolving credit facility <sup>(2)</sup>	\$ 600.0	\$
Notes payable other, secured	65.0	65.0
7.5% senior notes due 2007	215.0	215.0
5% senior notes due 2009, net	199.6	199.6
8% senior notes due 2009, net	384.1	384.1
4.875% senior notes due 2010, net	248.7	248.7
9.75% senior subordinated notes due 2010, net	149.3	149.3
7.875% senior notes due 2011, net	198.9	198.9
9.375% senior subordinated notes due 2011, net <sup>(3)</sup>	199.8	199.8
10.5% senior subordinated notes due 2011, net	150.0	150.0
% senior notes due 2011[, net]		
8.5% senior notes due 2012, net	248.5	248.5
5.375% senior notes due 2012	300.0	300.0
6.875% senior notes due 2013	200.0	200.0
5.875% senior notes due 2013	100.0	100.0
6.125% senior notes due 2014, net	197.5	197.5
5.625% senior notes due 2014, net	248.2	248.2
5.25% senior notes due 2015, net	297.8	297.8
% senior notes due 2016[, net]		
5.625% senior notes due 2016, net	297.6	297.6
Total homebuilding debt	4,300.0	
Financial services debt:		
Notes payable under mortgage warehouse loan facility due 2006	419.7	419.7
Notes payable under commercial paper conduit facility due through 2006	395.0	395.0
Total financial services debt	814.7	814.7
Total debt	5,114.7	
Stockholders' equity:		
Preferred stock, \$0.10 par value; 30,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value, 400,000,000 shares authorized, 315,872,995 shares issued and 312,220,195 shares outstanding at December 31, 2005 <sup>(4)</sup>	3.2	3.2
Additional capital	1,632.2	1,632.2
Retained earnings	4,073.2	4,073.2

Treasury stock, 3,652,800 shares, at cost	(95.7)	(95.7)
Total stockholders' equity	5,612.9	5,612.9
Total capitalization	\$ 10,727.6	\$

S-17

**Table of Contents**

- (1) *Adjusted to reflect the sale of notes being offered by this prospectus supplement and the use of the estimated net proceeds to reduce borrowings under our revolving credit facility. Amounts repaid under our revolving credit facility remain available for future borrowings.*
- (2) *We have a \$2.15 billion unsecured revolving credit facility that matures on December 16, 2010 and includes a \$1.0 billion letter of credit sub-facility. The facility is guaranteed by substantially all of our wholly-owned subsidiaries other than our financial services subsidiaries. Borrowings bear daily interest at rates based upon the London Interbank Offered Rate (LIBOR) plus a margin based upon our leverage ratio and our senior unsecured debt ratings. If we fail to maintain at least two investment grade senior unsecured debt ratings from Standard & Poor's Ratings Group, Moody's Investors Service and Fitch Ratings, available credit under the revolving credit facility is subject to limitations based on specified percentages of unsold homes, developed lots and lots under development included in inventory and the amount of other unsecured senior indebtedness. The revolving credit facility contains covenants that limit investments, cash dividends, stock repurchases and other restricted payments, incurrence of indebtedness, creation of liens and asset dispositions, and require maintenance of a maximum leverage ratio, a minimum ratio of EBITDA to interest incurred, minimum levels of tangible net worth and compliance with other financial covenants.*
- As of March 31, 2006, \$1,350.0 million principal amount of borrowings were outstanding under our revolving credit facility. Assuming we completed this offering of notes, the amount of borrowings outstanding under our revolving credit facility would have been \$            million as of March 31, 2006.*
- (3) *On March 15, 2006, we fully redeemed our 9.375% senior subordinated notes due 2011 at a price of \$1,046.88 per \$1,000 note outstanding. This resulted in an aggregate redemption payment of approximately \$209.4 million. This payment was funded with borrowings under the revolving credit facility.*
- (4) *In January 2006, we amended our charter to increase the number of authorized shares of common stock to one billion shares. The amendment was approved by our stockholders at our January 26, 2006 annual meeting of stockholders.*

## Table of Contents

### Description of notes

The 2011 Notes and the 2016 Notes will be issued as separate series. In the following description, the term applicable Notes refers to only the 2011 Notes or the 2016 Notes separately and not collectively. 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 Descriptions of Debt Securities in the accompanying prospectus, to which description reference is hereby made. The Notes will be issued under an Indenture dated as of June 9, 1997, among the Company, the Guarantors and American Stock Transfer and Trust Company, as trustee (the **Trustee**), as supplemented by a separate supplemental indenture for each series (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**

The Notes bear interest from April , 2006, payable semi-annually on April 15 and October 15, of each year (each, an **Interest Payment Date**), commencing October 15, 2006, to Holders of record at the close of business on April 1 or October 1, as the case may be, immediately preceding each such interest payment date. The 2011 Notes bear interest at % *per annum* and will mature on April , 2011. The 2016 Notes bear interest at % *per annum* and will mature on April , 2016. All of the Notes will be issued in denominations of \$1,000 and integral multiples thereof.

An aggregate principal amount of \$500 million of Notes will be issued in this offering, consisting of \$ million of 2011 Notes and \$ million of 2016 Notes. 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 and with the same CUSIP numbers as either series of Notes 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 applicable 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. 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.

### **RANKING**

The Notes are general unsecured obligations of the Company and rank senior in right of payment to all existing and 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. The Guarantees described below will be general unsecured obligations of the Guarantors and will rank senior in right of payment to all existing and future Indebtedness of the Guarantors that is, by its terms, expressly subordinated in right

## **Table of Contents**

### **Description of notes**

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.

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.

At March 31, 2006, assuming we had completed this offering of notes on such date, the Company and the Guarantors would have had approximately \$            million of Indebtedness (including the Notes) outstanding. Of this Indebtedness, \$63.3 million would have been secured debt, \$            million would have been equal to the Notes, and \$299.1 million would have been subordinated to the Notes. In addition, at such date, our non-guarantor subsidiaries had approximately \$675.0 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, on at least 30 but not more than 60 days' prior notice, at a redemption price equal to the greater of the following amounts:

100% of their principal amount; or

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 (1)            basis points (0.    %) with respect to the 2011 Notes or (2)            basis points (0.    %) with respect to the 2016 Notes, plus, in each case, accrued and unpaid interest on such 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 a 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. These subsidiaries currently also 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.

Each of the Guarantors will (so long as it remains a Restricted Subsidiary) unconditionally guarantee on a joint and several basis all of the Company's obligations under the Notes, including its obligations

## **Table of Contents**

### **Description of notes**

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 net assets of each Guarantor, determined in accordance with GAAP. Except as provided in the covenants described under **Certain Covenants** below, the Company is not restricted from selling or otherwise disposing of any of the Guarantors.

The Indenture requires that each existing and future Restricted Subsidiary be a Guarantor. The Company will be permitted to cause any Unrestricted Subsidiary to be a Guarantor.

The Indenture provides that if all or substantially all of the assets of any Guarantor or all of the Capital Stock of any Guarantor is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects to cause an Unrestricted Subsidiary to be a Guarantor, if any Guarantor is or becomes an Unrestricted Subsidiary in accordance with the terms of the Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or its being or becoming an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Indenture without any further action on the part of the Trustee or any Holder of the Notes.

### **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 or until the Notes are defeased pursuant to provisions described under **Defeasance of Indenture**.

**Restrictions on Secured Debt.** The Indenture provides that the Company will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or guarantee any Secured Debt unless the Notes will be secured equally and ratably with (or prior to) such Secured Debt, with certain exceptions. This restriction does not prohibit the creation, incurrence, assumption or guarantee of:

(1) Secured Debt which is secured by Security Interests 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 thereat or thereon or leasehold or other interests therein;

(2) Secured Debt which is secured by a Security Interest on property at the time of its acquisition by the Company or a Restricted Subsidiary, which Security Interest secures obligations assumed by the Company or a Restricted Subsidiary, or on the property of a corporation or other entity at the time it is merged into or consolidated with the Company or a Restricted Subsidiary (other than Secured Debt created in contemplation of the acquisition of

## **Table of Contents**

### **Description of notes**

such property or the consummation of such a merger or consolidation or where the Security Interest attaches to or affects the property of the Company or a Restricted Subsidiary prior to such transaction);

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

(4) Secured Debt which is secured by Security Interests securing Indebtedness of a Restricted Subsidiary owing to the Company or to another Restricted Subsidiary; and

(5) (x) Indebtedness secured by a Permitted Lien or (y) Indebtedness that is not Secured Debt; or restrict the ability of any Unrestricted Subsidiary to create, incur, assume or guarantee any secured or unsecured Indebtedness.

Additionally, such permitted Secured Debt includes any amendment, restatement, supplement, renewal, replacement, extension, refinancing or refunding, in whole or in part, of Secured Debt permitted at the time of the original creation, incurrence, assumption or guarantee thereof.

In addition, the Company and its Restricted Subsidiaries may create, incur, assume or guarantee Secured Debt, without equally or ratably securing the Notes, if immediately thereafter the sum of (1) the aggregate principal amount of all Secured Debt outstanding (excluding Secured Debt permitted under clauses (1) through (5) above and any Secured Debt in relation to which the Notes have been secured equally and ratably (or prior to)) 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), (2) and (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 Restricted Subsidiary 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 Restricted Subsidiary 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 Restricted Subsidiary, within 365 days after the completion of the Sale and Leaseback Transaction, applies an amount equal to the net proceeds therefrom either:

to the redemption, repayment or retirement of debt securities of any series under the Indenture (including the cancellation by the Trustee of any debt securities of any series delivered by the Company to the Trustee) or Senior Indebtedness of the Company or any Guarantor, or

to the purchase by the Company or a Restricted Subsidiary of property substantially similar to the property sold or transferred.

In addition, the Company and its Restricted Subsidiaries 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 (5) described in Restrictions on Secured Debt above or Secured Debt in relation to which the Notes have been secured equally and ratably (or prior to)) and (2) all Attributable Debt in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Sale and Leaseback Transactions





## Table of Contents

### Description of notes

satisfying the conditions set forth in clauses (1), (2) and (3) above) as of the date of determination would not exceed 20% of Consolidated Adjusted Tangible Assets.

**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, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or the Indenture (as an entirety or substantially in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company or a Restricted Subsidiary 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 or assignment 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) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or 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 such Guarantor being released from its Guarantee 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 or assignment, the successor corporation 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 the Company or the relevant Guarantor will be released from all of its liabilities and obligations in respect of the Notes and the Indenture. If the Company or a Guarantor leases all or substantially all of its assets, the lessee corporation will be the Successor to the Company or such Guarantor and may exercise every power and right of the Company or such Guarantor under the Indenture, but 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.

### **Events of default**

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

(1) the failure by the Company to pay interest on any such Note 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 such Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(3) the failure by the Company or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, such Notes, the Guarantees or the Indenture and



## **Table of Contents**

### **Description of notes**

such failure continues for the period and after the notice specified below (except in the case of a default under the covenant described under 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 Restricted Subsidiary 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;

(5) the failure by the Company or any Restricted Subsidiary 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 Restricted Subsidiary 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 Restricted Subsidiary 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 Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

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

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

(8) any Guarantee of a Guarantor which 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 its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Indenture and the 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 applicable Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to the covenant described under 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.

**S-24**

---

## **Table of Contents**

### **Description of notes**

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, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the applicable Notes then outstanding by notice to the Company and the Trustee, may declare all such Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on such 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 applicable Notes then outstanding by written notice to the Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest) on such Notes under the Indenture. Holders of a majority in principal amount of the then outstanding applicable Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest on such 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) have been cured or waived. The Holders may not enforce the provisions of the Indenture, the applicable Notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the applicable 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 applicable Notes) if the Trustee determines that withholding such notice is in the Holders' interest.

The Company is required to deliver to the Trustee an annual statement regarding compliance with the Indenture, and include in such statement, if any Officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

### **Defeasance of indenture**

The Indenture permits the Company and the Guarantors to terminate all of their respective obligations under the Indenture, other than the obligation to pay interest on and the principal of the applicable Notes and certain other obligations, at any time by

(1) depositing in trust with the Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest on the applicable Notes to their maturity, and

(2) complying with certain other conditions, including delivery to the Trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise.

In addition, the Indenture permits the Company and the Guarantors to terminate all of their respective obligations under the Indenture (including the obligations to pay interest on and the principal of the applicable Notes and certain other obligations), at any time by

## **Table of Contents**

### **Description of notes**

(1) depositing in trust with the Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest on the applicable Notes to their maturity, and

(2) complying with certain other conditions, including delivery to the Trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise, which opinion of counsel is based upon a change in the applicable federal tax law since the Issue Date.

### **Amendment, supplement and waiver**

Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in principal amount of the applicable Notes then outstanding, and any existing Default under, or compliance with any provision of the Indenture may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of such Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for the applicable Notes) of the Holders of a majority in principal amount of the applicable Notes then outstanding. Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture, the applicable Notes or the Guarantees to cure any ambiguity, defect or inconsistency; to comply with the Limitations on Mergers, Consolidations and Sales of Assets covenant set forth in the Indenture; to provide for uncertificated Notes in addition to or in place of certificated Notes; to make any change that does not adversely affect the legal rights of any Holder; or to delete a Guarantor which, in accordance with the terms of the Indenture, ceases to be liable on its Guarantee.

Without the consent of each Holder affected, the Company and the Trustee may not:

- (1) reduce the amount of applicable Notes whose Holders must consent to an amendment, supplement or waiver,
- (2) reduce the rate of or change the time for payment of interest, including default interest, on any applicable Note,
- (3) reduce the principal of or change the fixed maturity of any applicable Note or alter the provisions (including related definitions) with respect to redemptions described under Optional Redemption ,
- (4) make any applicable Note payable in money or securities other than that stated in such Note,
- (5) make any change in the Waiver of Past Defaults and Compliance with Indenture Provisions, Rights of Holders to Receive Payment or the With Consent of Holders sections set forth in the Indenture,
- (6) modify the ranking or priority of the applicable Notes or any Guarantee,
- (7) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture, or
- (8) waive a continuing Default or Event of Default in the payment of principal of or interest on the applicable Notes.





## **Table of Contents**

### **Description of notes**

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any applicable Notes with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Indenture.

#### **Concerning the trustee**

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign. In the ordinary course of its business, the Trustee provides, and may continue to provide, service to the Company as transfer agent for the common stock and as trustee for other debt securities of the Company.

The Holders of a majority in principal amount of the then outstanding applicable Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee.

#### **Governing law**

The Indenture, the Notes and the Guarantees are governed by the laws of the State of New York without giving effect to principles of conflict of laws.

#### **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 securities of the Company of all series, 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.

## Table of Contents

### Description of notes

**Capitalized Lease Obligations** of any Person means 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.

**Comparable Treasury Issue** means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Notes 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 such Notes.

**Comparable Treasury Price** means, with respect to any redemption date, (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 Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date *less* (a) any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP and (b) all short term liabilities of the Company and the Restricted Subsidiaries, 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 for a period ending more than one year after such date) and liabilities in respect of retiree benefits other than persons for which the Company or the Restricted Subsidiaries are required to accrue pursuant to Statement of Financial Accounting Standards No. 106.

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

**Credit Facilities** means, collectively, each of the credit facilities of the Company or one or more Restricted Subsidiaries in existence on the Issue Date and one or more other facilities among or between the Company or one or more Restricted Subsidiaries and one or more lenders pursuant to which the Company or any Restricted Subsidiary 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 any 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 any such facility or line of credit or any successor facility or line of credit.

**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.

## Table of Contents

### Description of notes

**Custodian** means any receiver, trustee, assignee, liquidator 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.

**GAAP** means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect from time to time.

**Guarantee** means the guarantee of the 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, Inc. Birmingham, an Alabama corporation;  
 D.R. Horton, Inc. Chicago, a Delaware corporation;  
 D.R. Horton, Inc. Denver, 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, 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 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 Orange County, Inc., a Delaware corporation (formerly DRH Regrem IX, Inc.);  
 D.R. Horton San Diego Holding Company, Inc., a California corporation;  
 D.R. Horton Schuler Homes, LLC, a Delaware limited liability company;  
 D.R. Horton Texas, Ltd., a Texas limited partnership;  
 DRH Cambridge Homes, Inc., a California corporation;  
 DRH Cambridge Homes, LLC, a Delaware limited liability company;  
 DRH Construction, Inc., a Delaware corporation;  
 DRH Energy, Inc., a Colorado corporation;  
 DRH Regrem VII, LP, a Texas limited partnership;



**Table of Contents**

**Description of notes**

DRH Regrem VIII, LLC, a Delaware limited liability company;  
 DRH Regrem X, Inc., a Delaware corporation;  
 DRH Regrem XI, Inc., a Delaware corporation;  
 DRH Regrem XII, LP, a Texas limited partnership;  
 DRH Southwest Construction, Inc., a California corporation;  
 DRH Tucson Construction, Inc., a Delaware corporation;  
 DRHI, Inc., a Delaware corporation;  
 HPH Homebuilders 2000 L.P., a California limited partnership;  
 KDB Homes, Inc., a Delaware corporation;  
 Meadows I, Ltd., a Delaware corporation;  
 Meadows II, Ltd., a Delaware corporation;  
 Meadows VIII, Ltd., a Delaware corporation;  
 Meadows IX, Inc., a New Jersey corporation;  
 Meadows X, Inc., a New Jersey corporation;  
 Melmort Co., a Colorado corporation;  
 Melody Homes, Inc., a Delaware corporation;  
 Schuler Homes of Arizona, LLC, a Delaware limited liability company;  
 Schuler Homes of California, Inc., a California corporation;  
 Schuler Homes of Oregon, Inc., an Oregon corporation;  
 Schuler Homes of Washington, Inc., a Washington corporation;  
 Schuler Mortgage, Inc., a Delaware corporation;  
 Schuler Realty Hawaii, Inc., a Hawaii corporation;  
 SGS Communities at Grande Quay, LLC, a New Jersey limited liability company;  
 SHA Construction LLC, a Delaware limited liability company;  
 SHLR of California, Inc., a California corporation;  
 SHLR of Colorado, Inc., a Colorado corporation;  
 SHLR of Nevada, Inc., a Nevada corporation;  
 SHLR of Utah, Inc., a Utah corporation;  
 SHLR of Washington, Inc., a Washington corporation;  
 SRHI LLC, a Delaware limited liability company;  
 SSHI LLC, a Delaware limited liability company;  
 The Club at Pradera, Inc., a Delaware corporation;  
 Vertical Construction Corporation, a Delaware corporation;  
 Western Pacific Funding, Inc., a California corporation;  
 Western Pacific Housing Co., a California limited partnership;  
 Western Pacific Housing Management, Inc., a California corporation;  
 Western Pacific Housing, Inc., a Delaware corporation;  
 Western Pacific Housing Antigua, LLC, a Delaware limited liability company;  
 Western Pacific Housing Aviara, L.P., a California limited partnership;  
 Western Pacific Housing Boardwalk, LLC, a Delaware limited liability company;  
 Western Pacific Housing Broadway, LLC, a Delaware limited liability company;  
 Western Pacific Housing Canyon Park, LLC, a Delaware limited liability company;  
 Western Pacific Housing Carmel, LLC, a Delaware limited liability company;  
 Western Pacific Housing Carrillo, LLC, a Delaware limited liability company;  
 Western Pacific Housing Communications Hill, LLC, a Delaware limited liability company;  
 Western Pacific Housing Copper Canyon, LLC, a Delaware limited liability company;

Western Pacific Housing    Creekside, LLC, a Delaware limited liability company;  
Western Pacific Housing    Culver City, L.P., a California limited partnership;  
Western Pacific Housing    Del Valle, LLC, a Delaware limited liability company;  
Western Pacific Housing    Lomas Verdes, LLC, a Delaware limited liability company;

**S-30**

---

## Table of Contents

### Description of notes

Western Pacific Housing	Lost Hills Park, LLC, a Delaware limited liability company;
Western Pacific Housing	McGonigle Canyon, LLC, a Delaware limited liability company;
Western Pacific Housing	Mountaingate, L.P., a California limited partnership;
Western Pacific Housing	Norco Estates, LLC, a Delaware limited liability company;
Western Pacific Housing	Oso, L.P., a California limited partnership;
Western Pacific Housing	Pacific Park II, LLC, a Delaware limited liability company;
Western Pacific Housing	Park Avenue East, LLC, a Delaware limited liability company;
Western Pacific Housing	Park Avenue West, LLC, a Delaware limited liability company;
Western Pacific Housing	Playa Vista, LLC, a Delaware limited liability company;
Western Pacific Housing	Poinsettia, L.P., a California limited partnership;
Western Pacific Housing	River Ridge, LLC, a Delaware limited liability company;
Western Pacific Housing	Robinhood Ridge, LLC, a Delaware limited liability company;
Western Pacific Housing	Santa Fe, LLC, a Delaware limited liability company;
Western Pacific Housing	Scripps II, LLC, a Delaware limited liability company;
Western Pacific Housing	Scripps, L.P., a California limited partnership;
Western Pacific Housing	Seacove, L.P., a California limited partnership;
Western Pacific Housing	Studio 528, LLC, a Delaware limited liability company;
Western Pacific Housing	Terra Bay Duets, LLC, a Delaware limited liability company;
Western Pacific Housing	Torrance, LLC, a Delaware limited liability company;
Western Pacific Housing	Torrey Commercial, LLC, a Delaware limited liability company;
Western Pacific Housing	Torrey Meadows, LLC, a Delaware limited liability company;
Western Pacific Housing	Torrey Multi-Family, LLC, a Delaware limited liability company;
Western Pacific Housing	Torrey Village Center, LLC, a Delaware limited liability company;
Western Pacific Housing	Vineyard Terrace, LLC, a Delaware limited liability company;
Western Pacific Housing	Windemere, LLC, a Delaware limited liability company;
Western Pacific Housing	Windflower, L.P., a California limited partnership;
WPH Camino Ruiz, LLC,	a Delaware limited liability company;

and (ii) each of the Company's Subsidiaries which becomes, and is not subsequently released as, a guarantor of the Notes pursuant to the provisions of the Indenture.

**Holder** means the Person in whose name a Note is registered in the books of the Registrar for the applicable Notes.

**Indebtedness** of any Person means, without duplication,

(1) any liability of such Person (a) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instruments issued for the benefit of or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), (b) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof is not required to be recorded as a liability in accordance with GAAP), or (c) in respect of Capitalized Lease Obligations (to the extent of the capitalized amount thereof determined in accordance with GAAP),

(2) any Indebtedness of others described in clause (1) above that such Person has guaranteed to the extent of the guarantee, and





## Table of Contents

### Description of notes

(3) all Indebtedness of others described in clause (1) above secured by a Security Interest on any property of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business or obligations under Currency Agreements or Interest Protection Agreements.

**Intangible Assets** of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with GAAP) and all other items which would be treated as intangible on the consolidated balance sheet of the Company and the Restricted Subsidiaries prepared in accordance with GAAP.

**Interest Protection Agreement** of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness.

**Issue Date** means the date on which the Notes are originally issued under the Indenture.

**Non-Recourse Indebtedness** with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 180 days after the acquisition of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness.

Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (a) environmental warranties and indemnities, or (b) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics liens.

**Permitted Liens** means any mortgage, pledge, lien or security interest:

- (1) incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (1)(a) of the definition of Indebtedness), in each case incurred in the ordinary course of business of the Company and the Restricted Subsidiaries,
- (2) constituting attachment or judgment liens,
- (3) securing Non-Recourse Indebtedness of the Company or any Restricted Subsidiary; *provided*, that it applies only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 180 days after the incurrence of such Non-Recourse Indebtedness,
- (4) securing Purchase Money Indebtedness; *provided*, that it applies only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 180 days after the incurrence of such Purchase Money Indebtedness,

## Table of Contents

### Description of notes

(5) constituting purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided*, that it applies only to the property acquired and the related Indebtedness is incurred within 180 days after the acquisition of such property,

(6) constituting the right of a lender or lenders to which the Company or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness any and all balances, credits, deposits, accounts or money of the Company or a Restricted Subsidiary with or held by such lender or lenders or its affiliates,

(7) constituting the pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of the Company and its Restricted Subsidiaries, and

(8) incurred in connection with pollution control, industrial revenue, water, sewage or any similar bonds.

**Person** means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Purchase Money Indebtedness** means Indebtedness of the Company or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company and the Restricted Subsidiaries; *provided, however*, that (1) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (2) such Indebtedness shall be incurred no later than 180 days after the acquisition of such property or completion of such construction or improvement.

**Reference Treasury Dealer** means (a) UBS Securities LLC (or any of its affiliates which are Primary Treasury Dealers), and their respective successors; *provided, however* that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States of America (a **Primary Treasury Dealer**), the Company will substitute therefor another Primary Treasury Dealer, and (b) any other Primary Treasury Dealer(s) selected by the Company.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

**Remaining Scheduled Payments** means, with respect to any Note, the remaining scheduled payments of the principal thereof to be redeemed and interest thereon that would be due after the related redemption date but for such redemption; *provided however* that if such redemption date is not an Interest Payment Date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to such redemption.

**Restricted Subsidiary** means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

**Sale and Leaseback Transaction** means a sale or transfer made by the Company or a Restricted Subsidiary (except a sale or transfer made to the Company or another Restricted Subsidiary) of any property which is either (a) a manufacturing facility, project club house, amenity center and common area, office building, warehouse or distribution facility whose book value equals or exceeds 1% of Consolidated Adjusted Tangible Assets as of the date of determination or (b) another property which



## Table of Contents

### Description of notes

exceeds 5% of Consolidated Adjusted Tangible Assets as of the date of determination, if such sale or transfer is made with the agreement, commitment or intention of leasing such property to the Company or a Restricted Subsidiary.

**Secured Debt** means any Indebtedness which is secured by (a) a Security Interest in any property of the Company or a Restricted Subsidiary or (b) a Security Interest in Capital Stock owned directly or indirectly by the Company or a Restricted Subsidiary in a corporation or other entity (other than an Unrestricted Subsidiary) or in the rights of the Company or a Restricted Subsidiary in respect of Indebtedness of a corporation or other entity (other than an Unrestricted Subsidiary) in which the Company or a Restricted Subsidiary owns Capital Stock. The securing in the foregoing manner of any such Indebtedness which immediately prior thereto was not Secured Debt shall be deemed to be the creation of Secured Debt at the time security is given.

**Security Interest** means any mortgage, pledge, lien, or other security interest which secures the payment or performance of an obligation.

**Senior Indebtedness** means the principal of (and premium, if any, on) and interest on (including interest accruing after the occurrence of an event of default or after the filing of a petition initiating any proceeding pursuant to any Bankruptcy Law whether or not such interest is an allowable claim in any such proceeding) and other amounts due on or in connection with any Indebtedness, whether outstanding on the date hereof or hereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the debt securities under the Indenture. Notwithstanding the foregoing, Senior Indebtedness shall not include (1) Indebtedness that is expressly subordinated in right of payment to any Senior Indebtedness, (2) Indebtedness that by operation of law is subordinate to any of general unsecured obligations, (3) Indebtedness to any Subsidiary or (4) Indebtedness incurred in violation of the restrictions described under Restrictions on Secured Debt and Restrictions on Sale and Leaseback Transactions.

**Significant Subsidiary** means any Subsidiary of the Company which would constitute a significant subsidiary as defined in Rule 1-02 of Regulation S-X under the Securities Act and the Exchange Act.

**Subsidiary** of any Person means any corporation or other entity of which a majority of the Capital Stock having ordinary voting power to elect a majority of the Board of Directors or other persons performing similar functions is at the time directly or indirectly owned or controlled by such Person.

**Successor** has the meaning set forth in Certain Covenants Limitations on Mergers, Consolidations and Sale of Assets.

**Treasury Rate** means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

**Trustee** means the party named as such above until a successor replaces such party in accordance with the applicable provisions of the Indenture and thereafter means the successor serving hereunder.

**Unrestricted Subsidiary** means any Subsidiary of the Company (1) that is engaged in (a) mortgage banking (including mortgage origination, loan servicing, mortgage brokerage and related businesses), master servicing or related activities, including, without limitation, a Subsidiary which facilitates the financing of mortgage loans and mortgage-backed securities and the securitization of mortgage-backed bonds and other related activities or (b) title insurance, title agency, escrow or related businesses; (2) that is engaged in the insurance business; or (3) that does not guarantee the Indebtedness (other

## Table of Contents

### Description of notes

than the Notes) outstanding under any of the Credit Facilities, the Indenture, dated as of June 9, 1997, among the Company, the guarantors named therein and the Trustee (as amended or supplemented from time to time) or the Indenture, dated as of September 11, 2000, among the Company, the guarantors named therein and American Stock Transfer & Trust Company (as amended or supplemented from time to time).

### **BOOK ENTRY, DELIVERY AND FORM**

Each series of Notes offered hereby will be issued in the form of a fully registered Global Note (as to each series, the **Global Note** ). The Global Note will be deposited on or about the Issue Date with, or on behalf of, The Depository Trust Company (the **Depository** ) and registered in the name of Cede & Co., as nominee of the Depository (such nominee being referred to herein as the **Global Note Holder** ).

The Depository is a limited-purpose trust company which was created to hold securities for its participating organizations (collectively, the **Participants** or the **Depository's Participants** ) and to facilitate the clearance and settlement of transactions in such securities between Participants through electronic book-entry changes in accounts of its Participants. The Depository's Participants include securities brokers and dealers (including the underwriters), banks and trust companies, clearing corporations and certain other organizations. Access to the Depository's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the **Indirect Participants** or the **Depository's Indirect Participants** ) that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of the Depository only through the Depository's Participants or the Depository's Indirect Participants.

The Company expects that pursuant to procedures established by the Depository (i) upon deposit of the Global Note, the Depository will credit the accounts of Participants designated by the underwriters with portions of the principal amount of the Global Note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depository (with respect to the interests of the Depository's Participants), the Depository's Participants and the Depository's Indirect Participants. Prospective purchasers are advised that the laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer Notes will be limited to such extent.

So long as the Global Note Holder is the registered owner of any Notes, the Global Note Holder will be considered the sole owner or Holder of such Notes outstanding under the Indenture. Except as provided below, owners of Notes will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form, and will not be considered the Holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions or approvals to the Trustee thereunder. As a result, the ability of a Person having a beneficial interest in Notes represented by the Global Note to pledge such interest to Persons or entities that do not participate in the Depository's system or to otherwise take actions in respect of such interest may be affected by the lack of a physical certificate evidencing such interest.

Neither the Company, the Trustee, the Paying Agent nor the Notes Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by the Depository, or for maintaining, supervising or reviewing any records of the Depository relating to such Notes.

Payments in respect of the principal, premium, if any, and interest on any Notes registered in the name of a Global Note Holder on the applicable record date will be payable by the Trustee to or at the direction of such Global Note Holder in its capacity as the registered holder under the Indenture.

S-35

## **Table of Contents**

### **Description of notes**

Under the terms of the Indenture, the Company and the Trustee may treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Company nor the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of Notes (including principal, premium, if any, and interest).

The Company believes, however, that it is currently the policy of the Depositary to immediately credit the accounts of the relevant Participants with such payment, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security as shown on the records of the Depositary. Payments by the Depositary to Participants and the Depositary's Indirect Participants to the beneficial owner of Notes will be governed by standing instructions and customary practice and will be the responsibility of the Depositary's Participants or the Depositary's Indirect Participants.

As long as the Notes are represented by a Global Note, the Depositary's nominee will be the Holder of the Notes and therefore will be the only entity that can exercise a right to repayment or repurchase of the Notes. Notice by Participants or Indirect Participants or by owners of beneficial interests in a Global Note held through such Participants or Indirect Participants of the exercise of the option to elect repayment of beneficial interests in Notes represented by a Global Note must be transmitted to the Depositary in accordance with its procedures on a form required by the Depositary and provided to Participants. In order to ensure that the Depositary's nominee will timely exercise a right to repayment with respect to a particular Note, the beneficial owner of such Note must instruct the broker or the Participant or Indirect Participant through which it holds an interest in such Note to notify the Depositary of its desire to exercise a right to repayment. Different firms have cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other Participant or Indirect Participant through which it holds an interest in a Note in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the Depositary. The Company will not be liable for any delay in delivery of notices of the exercise of the option to elect repayment.

### **Certificated securities**

Subject to certain conditions, any Person having a beneficial interest in a Global Note may, upon request to the Company or the Trustee, exchange such beneficial interest for Notes represented by such Global Note in the form of Certificated Securities. Upon any such issuance, the Trustee is required to register such Notes in the name of, and cause the same to be delivered to, such Person or Persons (or the nominee of any thereof). In addition, if (i) the Company notifies the Trustee in writing that the Depositary is no longer willing or able to act as a depositary and the Company is unable to locate a qualified successor within 90 days or (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Notes in the form of Certificated Securities under the Indenture, then, upon surrender by the relevant Global Note Holder of its Global Note, Notes in such form will be issued to each Person that such Global Note Holder and the Depositary identify as the beneficial owner of the related Notes.

Neither the Company nor the Trustee shall be liable for any delay by the related Global Note Holder or the Depositary in identifying the beneficial owners of Notes and each such Person may conclusively rely on and shall be protected in relying on, instructions from the Global Note Holder or of the Depositary for all purposes (including with respect to the registration and delivery, and the respective principal amounts of the Notes to be issued).

### **S-36**

---

**Table of Contents**

**Description of notes**

**Same-day settlement and payment**

The Indenture requires that payments in respect of the Notes (including principal, premium, if any, and interest) be made by wire transfer of immediately available funds to the accounts specified by the Global Note Holders. The Company expects that secondary trading in the Certificated Notes also will be settled in immediately available funds.

**Transfer and exchange**

A Holder may transfer or exchange the Notes in accordance with the procedures set forth in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar is not required to transfer or exchange any Note selected for redemption. Also, the Registrar is not required to transfer or exchange any Note for a period of 15 days before a selection of the Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

**S-37**

---

**Table of Contents****Underwriting**

Banc of America Securities LLC, UBS Securities LLC and Wachovia Capital Markets, LLC are acting as joint bookrunning managers of and underwriters for this offering. Subject to the terms and conditions stated in the underwriting agreement with the underwriters, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite such underwriter's name.

<b>Underwriter</b>	<b>Principal Amount of Senior Notes due 2011</b>	<b>Principal Amount of Senior Notes due 2016</b>
Banc of America Securities LLC	\$	\$
UBS Securities LLC	\$	\$
Wachovia Capital Markets, LLC	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement. The underwriters also propose to offer some of the notes to dealers at the public offering price less a concession not to exceed % of the principal amount of the 2011 notes or % of the 2016 notes. The underwriters may allow, and dealers may reallow, a concession not to exceed % of the principal amount of the 2011 notes or % of the principal amount of the 2016 notes on sales to other dealers. After the initial offering of the notes to the public, the underwriters may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

**Paid by D.R. Horton,  
Inc.**

Per 2011 Note	%
Per 2016 Note	%

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriters, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the



absence of these transactions. The underwriters may conduct these

**S-38**

---

**Table of Contents**

**Underwriting**

transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses for this offering will be approximately \$800,000. The underwriters have agreed to make a payment to us in the amount of \$                      in connection with the underwriting.

We expect to deliver the notes against payment for the notes on or about April      , 2006.

A prospectus in electronic format may be made available on websites maintained by the underwriters.

The underwriters and their respective affiliates have in the past engaged in, and may in the future engage in transactions with and perform services, including commercial banking, financial advisory and investment banking transactions, for us and our affiliates in the ordinary course of business for which they have received, or may receive, customary fees and expenses. Affiliates of Banc of America Securities LLC, UBS Securities LLC and Wachovia Capital Markets, LLC are lenders under our revolving credit facility.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

**Legal matters**

Gibson, Dunn & Crutcher LLP, Dallas, Texas, will issue an opinion about the validity of the notes. Certain legal matters in connection with this offering will be passed upon for the underwriters by Cahill Gordon & Reindel LLP, New York, New York.

**Experts**

The consolidated financial statements of D.R. Horton, Inc. appearing in its annual report on Form 10-K for the year ended September 30, 2005 and D.R. Horton, Inc. management's assessment of the effectiveness of internal control over financial reporting as of September 30, 2005 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements and management's assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

**Table of Contents**

**PROSPECTUS**

**\$3,000,000,000  
D.R. Horton, Inc.  
Debt Securities,  
Preferred Stock, Depositary Shares,  
Common Stock, Warrants,  
Stock Purchase Contracts and Stock Purchase Units  
Trust Preferred Securities of DRH Capital Trust I,  
DRH Capital Trust II and DRH Capital Trust III  
and Related Subordinated Trust Debt Securities  
and Guarantees of D.R. Horton, Inc.  
Units of These Securities**

We will provide specific terms of these securities in supplements to this prospectus at the time we offer or sell any of these securities. You should read this prospectus and any supplement carefully before you invest.

**Investing in these securities involves risks. See Risk Factors beginning on page 1 and in the prospectus supplement we will deliver with this prospectus.**

Our common stock is listed on the New York Stock Exchange under the symbol DHI.

**The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus is dated September 13, 2005

---

## TABLE OF CONTENTS

<u>Forward-Looking Statements</u>	i
<u>Risk Factors</u>	1
<u>The Company</u>	6
<u>The Trusts</u>	7
<u>Securities We May Offer</u>	9
<u>Use of Proceeds</u>	10
<u>Summary Consolidated Financial Information and Operating Data</u>	11
<u>Ratio of Earnings to Fixed Charges</u>	14
<u>Description of Debt Securities</u>	14
<u>Description of Common Stock, Preferred Stock and Depositary Shares</u>	17
<u>Description of Warrants</u>	21
<u>Description of Stock Purchase Contracts and Stock Purchase Units</u>	22
<u>Description of Units</u>	22
<u>Description of Trust Preferred Securities</u>	22
<u>Plan of Distribution</u>	32
<u>Legal Matters</u>	33
<u>Experts</u>	33
<u>Where You Can Find More Information</u>	34
<u>Incorporation of Certain Documents by Reference</u>	34

*Unless the context otherwise requires, the terms "D.R. Horton, the Company, we and our" refer to D.R. Horton, Inc., a Delaware corporation, and its predecessors and subsidiaries.*

### FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus and the information incorporated by reference into this prospectus include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. 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," "estimate," "expect," "forecast," "goal," "intend," "objective," "plan," "projection," "seek," "strategy" or other words of similar meaning. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to 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:

- changes in general economic, real estate and other conditions;
- changes in interest rates and the availability of mortgage financing;
- the effects of governmental regulations and environmental matters;
- the uncertainties inherent in warranty and product liability claims matters;
- competitive conditions within our industry;
- our substantial debt;
- the availability of capital; and
- our ability to effect our growth strategies successfully.



**Table of Contents**

We undertake no obligation to 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 additional documents incorporated into this prospectus by reference should be consulted.

For further factors you should consider, please refer to the Risk Factors section beginning on page 1 of this prospectus and the Management's Discussion and Analysis of Financial Condition and Results of Operations section in our annual report on Form 10-K for the year ended September 30, 2004 and in our quarterly reports on Form 10-Q for the quarters ended December 31, 2004, March 31, 2005 and June 30, 2005.

**Table of Contents**

**RISK FACTORS**

Before purchasing any securities we may offer, you should consider all of the information set forth in this prospectus, in the prospectus supplement we will deliver with this prospectus, and in the information incorporated by reference. In particular, you should evaluate the risk factors relating to our business set forth below and the risk factors set forth in the prospectus supplement we will deliver with this prospectus. It is anticipated that the prospectus supplement will contain a description of the risks relating to the securities we may offer with the prospectus supplement.

**Because of the cyclical nature of our industry, future changes in general economic, real estate construction or other business conditions could adversely affect our business or our financial results.**

*Cyclical Industry.* The homebuilding industry is cyclical and is significantly affected by changes in general and local economic conditions, such as:

employment levels;

availability of financing for homebuyers;

interest rates;

consumer confidence;

demographic trends; and

housing demand.

These may occur on a national scale or may affect some of the regions or markets in which we operate more than others.

An oversupply of alternatives to new homes, such as rental properties and used homes, could depress new home prices and reduce our margins on the sales of new homes.

*Risks Related to National Security.* Continued military deployments in the Middle East and other overseas 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 national economy.

*Inventory Risks.* Inventory risks can be substantial for our homebuilding business. We must anticipate demand for new homes and continuously seek and make acquisitions of land for replacement and expansion of land inventory within our current markets and for expansion into new markets. Our current goal is to own or control approximately a three to four year supply of land and building lots. The risks inherent in controlling or purchasing and developing land increase as consumer demand for housing decreases. Thus, we may have acquired options on or bought and developed land whose cost we are less able to recover or on which we cannot build and sell homes profitably. Our deposits for building lots controlled under option or similar contracts may be put at risk. The market value of undeveloped land, building lots and housing inventories can also fluctuate significantly as a result of changing market conditions. We cannot assure you that the measures we employ to manage inventory risks and costs will be successful.

In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing project or market. In the event of significant changes in economic or market conditions, we may have to sell homes for less or at a loss.

*Supply Risks.* The homebuilding industry has from time to time experienced significant difficulties, including: shortages of qualified trades people;

reliance on local subcontractors, who may be inadequately capitalized;

shortages of materials; and





## Table of Contents

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.

*Risks from Nature.* Weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, volcanic activity, droughts, floods and wildfires, 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 and Texas, where we have some of our larger operations, present increased risks of adverse weather or natural disaster.

*Possible Consequences.* As a result of the foregoing matters, in the future, potential customers may be less willing or able to buy our homes, or we may take longer or incur more costs to build them. We may not be able to recapture increased costs by raising prices in many cases because of market conditions or because we fix our prices in advance of delivery by signing home sales contracts. We may be unable to change the mix of our home offerings or the affordability of our homes to maintain our margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase beyond historical rates as homebuyers cancel or do not honor their contracts.

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 or an increase in consumer preference for adjustable rate or other low-margin loans could also adversely affect the financial results of this segment of our business. An increase in the default rate on the mortgages we originate could adversely affect the pricing we receive upon the sale of mortgages that we originate in the future.

**Future increases in interest rates or reductions in mortgage availability could prevent potential customers from buying our homes and adversely affect our business or our financial results.**

Most of our customers finance their home purchases through lenders providing mortgage financing. Interest rates have been at historical lows for a significant time. Many homebuyers have also chosen adjustable rate, interest only or other mortgages that involve initial lower monthly payments. As a result, new homes have been more affordable. Increases in interest rates or decreases in availability of mortgage financing, however, could reduce the market for new homes. Potential homebuyers may be less willing or able to pay the increased monthly costs or to obtain mortgage financing that exposes them to interest rate changes. Lenders may increase the qualifications needed for mortgages or adjust their terms to address any increased credit risk. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their current homes to potential buyers who need financing. These matters could adversely affect the sales or pricing of our homes.

In addition, we believe that the availability of FHA and VA mortgage financing is an important factor in marketing many of our homes. We also believe that the liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry is important to the housing market. However, there have been recent discussions in the government regarding the large size of the home-loan portfolios and operations of these two government-sponsored enterprises. Any limitations or restrictions on the availability of the financing or on the liquidity by them could adversely affect our sales.

**Governmental regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations 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 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. In addition, in many markets government authorities

## Table of Contents

have implemented no growth or growth control initiatives. Any of these can limit, delay or increase the costs of development or homebuilding.

New housing developments may be subject to various assessments for schools, parks, streets and other public improvements. These can cause an increase in the effective prices for our homes. In addition, increases in property tax rates by local governmental authorities, as recently experienced in response to reduced federal and state funding, can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

We also are subject to a variety of local, state and federal laws and regulations concerning protection of health and the environment. These laws may result in delays, may cause us to incur substantial compliance, remediation and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas.

Our financial services operations are also subject to numerous federal, state and local laws and regulations. These include eligibility requirements for participation in federal loan programs and compliance with consumer lending and similar requirements such as disclosure requirements, prohibitions against discrimination and real estate settlement procedures. They may also subject our operations to examination by the applicable agencies. These may limit our ability to provide mortgage financing or title services to potential purchasers of our homes.

### **Our substantial debt could adversely affect our financial condition.**

We have a significant amount of debt. As of June 30, 2005, our consolidated debt was approximately \$4,363.1 million. After that date, we issued \$300 million principal amount of our 5.375% senior notes due 2012 and redeemed our 9.375% senior notes due 2009 for \$246 million, and we also incurred indebtedness under our credit facilities in the ordinary course of business. We may incur significant additional debt, subject to the restrictions in our revolving credit facility and many of our indentures.

*Possible Consequences.* The amount of our debt could have important consequences. For example, it could:

limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements or other requirements;

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 purposes;

limit our flexibility in planning for, or reacting to, the changes in our business;

place us at a competitive disadvantage because we have more debt than some of our competitors; and

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

*Dependence on Future Performance.* Our ability to meet our debt service and other obligations will depend upon our future financial performance. We are engaged in businesses that are substantially affected by changes in economic conditions. 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 securities, 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 bear interest at floating rates and our interest rate swap agreements fix our interest rate for only a portion of these borrowings.

As of June 30, 2005, the scheduled maturities of principal on our outstanding debt for the subsequent 12 months totaled \$967.3 million. This total included the \$235.0 million principal amount of our 9.375% senior notes due 2009 that we redeemed in July 2005 and the \$708.4 million aggregate principal amount outstanding under our mortgage warehouse loan facility and our mortgage-backed commercial paper conduit facility whose maturities we recently extended. Based on the current level of operations, we believe our cash flow from



**Table of Contents**

operations, available cash, available borrowings under our revolving credit facility, available borrowings under our mortgage warehouse loan facility and our mortgage-backed commercial paper conduit facility, and our ability to access the capital markets and to refinance or renew our facilities in a timely manner will be adequate to meet our future cash needs. We cannot assure you, however, that in the future our business will generate sufficient cash flow from operations or that borrowings or access to the capital markets or refinancing or renewal facilities will be available to us in amounts sufficient to enable us to pay or refinance our indebtedness or to fund other cash needs.

*Indenture and Credit Facility Restrictions.* Our revolving credit facility and the indentures governing most series of our senior and senior subordinated notes impose restrictions on our operations and activities. The most significant restrictions relate to limits on investments, stock repurchases, cash dividends and other restricted payments, incurrence of indebtedness, creation of liens and asset dispositions, and require maintenance of minimum levels of tangible net worth and compliance with other financial covenants. If we fail to comply with any of these restrictions or covenants, the trustees, the noteholders or the lending banks, as applicable, could cause our debt to become due and payable prior to maturity. However, under the indentures governing many of these notes, if such notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service Inc., specified covenants related to limits on investments, stock repurchases, cash dividends and other restricted payments, incurrence of indebtedness and asset dispositions will cease to apply. In addition, unless we have an investment grade rating from any two of Standard & Poor's Ratings Services, Moody's Investors Service Inc. and Fitch Ratings, available credit under our revolving credit facility is subject to limitations based on specified percentages of the costs of homes, developed lots and lots under development included in inventory and the amount of other senior, unsecured indebtedness. Under the most restrictive of the limitations imposed by our indentures and revolving credit agreement, as of June 30, 2005, assuming we had issued our 5.375% senior notes due 2012 and redeemed our 9.375% senior notes due 2009 on such date, we would have been permitted to increase our homebuilding debt by approximately \$3.0 billion. This amount is not intended as an indication of the amount of additional debt we could in fact obtain.

*Change of Control Purchase Options.* If a change of control occurs as defined in the indentures governing many series of our senior and senior subordinated notes, constituting \$2,494.8 million principal amount in the aggregate, 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. Moreover, a change of control may also result in the acceleration of our revolving credit facility. If purchase offers were required under the indentures for these notes or our revolving credit facility debt were accelerated, we can give no assurance that we would have sufficient funds to pay the amounts that we would be required to repurchase or repay. We currently would not have sufficient funds available to purchase all of such outstanding debt upon a change of control.

In addition, the indentures governing our more recent series of senior notes, constituting \$1,150.0 million principal amount in the aggregate, provide only limited protection for holders of such notes in the event of a change of control, an acquisition by a highly leveraged company, a change in credit rating or other similar occurrence. The indentures for such notes do not restrict an acquisition by a highly leveraged buyer or prohibit the buyer from incurring additional debt including, subject to limitations, significant amounts of secured debt, which would be senior to the rights of holders of our unsecured debt to the extent of the value of its security. This might reduce the cash available to us, or to anyone who may acquire us, and impair our ability, or the ability of anyone who acquires us, to make payments on our debt.

**Homebuilding is very competitive, and competitive conditions could adversely affect our business or our 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 other local, regional and national homebuilders, including those with a sales presence on the Internet, often within larger

## **Table of Contents**

subdivisions designed, planned and developed by such homebuilders. The competitive conditions in the homebuilding industry could result in:

difficulty in acquiring suitable land at acceptable prices;

increased selling incentives;

lower sales or profit margins; or

delays in construction of our homes.

If we are affected by these competitive conditions at increased levels, our business and financial results could be adversely affected.

### **Our future growth may require additional capital, which may not be available.**

Our operations require significant amounts of cash. We may be required to seek additional capital, whether from sales of equity or debt or additional bank borrowings, for the future growth and development of our business. We can give no assurance as to the availability of such additional capital or, if available, whether it would be on terms acceptable to us. Moreover, the indentures for most of our outstanding public debt and the covenants of our revolving credit facility contain provisions that restrict the debt we may incur in the future. If we are not successful in obtaining sufficient capital, it could reduce our sales and may adversely affect our future growth and financial results.

### **We cannot assure you that our growth strategies will be successful.**

Since 1993, we have acquired many homebuilding companies. Although we have recently focused on internal growth, we may make strategic acquisitions of homebuilding companies in the future. Successful strategic acquisitions require the integration of operations and management and other efforts to realize the benefits that may be available. Although we believe that we have been successful in doing so in the past, we can give no assurance that we would be able to identify, acquire and integrate successfully 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 the risk of writing off goodwill related to such acquisitions based on the subsequent results of the reporting units to which the acquired businesses were assigned. Moreover, we may not be able to implement successfully our operating and growth strategies within our existing markets.

### **Homebuilding is subject to warranty and product liability claims in the ordinary course of business that can be significant.**

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. As a consequence, we maintain product liability insurance, obtain indemnities and certificates of insurance from subcontractors generally covering claims related to workmanship and materials, and create 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 warranty and construction defect claims in the future. 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 availability of product liability insurance for construction defects is currently limited and costly. We have responded to the recent 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 and become more costly.

**Table of Contents****THE COMPANY**

We are a national homebuilder. We construct and sell high quality homes through our operating divisions in 23 states and 71 metropolitan markets of the United States, principally under the name D.R. Horton, *America's Builder*.

Donald R. Horton began our homebuilding business in 1978. In 1991, we were incorporated in Delaware to acquire the assets and businesses of our predecessor companies, which were residential home construction and development companies owned or controlled by Mr. Horton. In 1992, we completed our initial public offering of our common stock. From inception, we have consistently grown the size of our company by investing our available capital into our existing homebuilding markets and into start-up operations in new markets. Additionally, from July 1993 to February 2002, we acquired 17 other homebuilding companies, which strengthened our market position in existing markets and expanded our geographic presence and product offerings in other markets. We are now the largest homebuilding company in the United States, based on domestic homebuilding revenues, homes sold and homes closed during the year ended September 30, 2004. Our homes generally range in size from 1,000 to 5,000 square feet and range in price from \$80,000 to \$900,000. For the year ended September 30, 2004, we closed 43,567 homes with an average closing sales price of approximately \$240,800. For the nine months ended June 30, 2005, we closed 32,550 homes with an average closing sales price of approximately \$259,100.

We conduct our homebuilding operations in the following five geographic regions:

<b>Regions</b>	<b>States</b>
Mid-Atlantic	Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Virginia
Midwest	Illinois, Minnesota, Wisconsin
Southeast	Alabama, Georgia, Florida
Southwest	Arizona, New Mexico, Oklahoma, Texas
West	California, Colorado, Hawaii, Nevada, Oregon, Utah, Washington

Our homebuilding revenues from home sales by geographic region are:

	<b>Nine Months Ended June 30,</b>		<b>Year Ended September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In millions)</b>				
Mid-Atlantic	\$ 671.6	\$ 588.0	\$ 888.4	\$ 674.8	\$ 625.7
Midwest	371.2	385.8	643.7	513.2	488.7
Southeast	1,137.3	750.8	1,041.3	773.9	595.8
Southwest	2,405.5	2,140.3	3,012.3	2,381.5	1,997.3
West	3,847.3	3,215.8	4,905.4	3,990.7	2,822.1
Total	\$ 8,432.9	\$ 7,080.7	\$ 10,491.1	\$ 8,334.1	\$ 6,529.6

In addition, our homebuilding revenues from land and lot sales were \$166.9 million, \$218.0 million and \$95.6 million for the years ended September 30, 2004, 2003 and 2002, respectively, and \$177.5 million and \$117.8 million for the nine months ended June 30, 2005 and 2004, respectively.

Through our financial services operations, we provide mortgage banking and title agency services to homebuyers in the majority of our homebuilding markets. DHI Mortgage, our wholly owned subsidiary, provides mortgage financing services, principally to purchasers of homes we build and sell. DHI Mortgage coordinates and expedites sales transactions for both our homebuyers and our homebuilding operations by ensuring that mortgage commitments are received and that closings take place on a timely and efficient basis. During the year ended September 30, 2004, 92% of DHI Mortgage's loan volume related to homes closed by our homebuilding operations, and DHI Mortgage provided mortgage financing services for approximately 61%

## **Table of Contents**

of our total homes closed. During the nine months ended June 30, 2005, 93% of DHI Mortgage's loan volume related to homes closed by our homebuilding operations, and DHI Mortgage provided mortgage financing services for approximately 64% of our total homes closed. Our subsidiary title companies serve as title insurance agents by providing title insurance policies, examination and closing services, primarily to purchasers of homes we build and sell.

Our financial reporting segments consist of homebuilding and financial services. Our homebuilding operations are a substantial part of our business, comprising approximately 98% of consolidated revenues and approximately 95% of consolidated income before income taxes for the year ended September 30, 2004. Our homebuilding operations comprised approximately 98% of consolidated revenues and approximately 96% and 94%, respectively, of consolidated income before income taxes for the nine months ended June 30, 2005 and 2004. Our homebuilding segment generates most of its 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, the homebuilding segment also builds attached homes, such as town homes, duplexes, triplexes and condominiums (including some mid-rise buildings), which share common walls and roofs. Approximately 84% of home sales revenues for the year ended September 30, 2004 and approximately 85% of home sales for the nine months ended June 30, 2005 were generated from the sale of detached homes. Our financial services segment generates its revenues from originating and selling mortgages and collecting fees for title insurance and closing services. Financial information, including revenue, pre-tax income and identifiable assets, for both of our reporting segments is included in our consolidated financial statements, which are incorporated by reference into this prospectus from our current report on Form 8-K dated August 11, 2005, and from our quarterly reports on Form 10-Q for the quarters ended December 31, 2004, March 31, 2005 and June 30, 2005.

For more information about our business, please refer to the Business section in our annual report on Form 10-K for the year ended September 30, 2004.

Our principal executive offices are 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](http://www.drhorton.com). Information on our Internet website is not part of this prospectus.

### **Recent Developments**

*Issuance of 5.375% Senior Notes Due 2012.* On July 7, 2005, we issued \$300 million principal amount of our 5.375% senior notes due 2012. We used the proceeds of the offering for general corporate purposes, including the reduction of borrowings under our revolving credit facility and the redemption of our 9.375% senior notes due 2009.

*Redemption of 9.375% Senior Notes Due 2009.* On July 15, 2005, we redeemed our 9.375% senior notes due 2009 at a price of \$1,046.88 per \$1,000 note outstanding. This resulted in a payment of approximately \$246 million. The notes were originally issued by Schuler Homes, Inc., and we assumed the obligations under the notes in our merger with Schuler in February 2002.

*Election of Additional Director.* On August 9, 2005, on the recommendation of the independent members of the Nominating and Governance Committee of our board of directors, our board elected Michael W. Hewatt to serve as a member of our board, a member of the Audit Committee of our board and a member of the Nominating and Governance Committee of our board, each effective as of August 9, 2005. Our board determined that Mr. Hewatt is independent under its own independence standards and the independence standards of the New York Stock Exchange.

### **THE TRUSTS**

We have created three Delaware business trusts pursuant to three trust agreements executed by us as sponsor for each trust, appointed trustees for each trust and filed a certificate of trust for each trust with the Delaware Secretary of State. The trusts are named DRH Capital Trust I, DRH Capital Trust II and DRH Capital Trust III. The trust agreement of each trust will be amended and restated prior to the issuance and



## **Table of Contents**

sale by such trust of its trust securities, which consist of trust preferred securities and trust common securities. The original trust agreement and the form of the amended and restated trust agreement are filed as exhibits to the registration statement of which this prospectus forms a part. The trust agreement for each trust states the terms and conditions for each trust to issue and sell its trust securities.

Each trust will exist solely to:

issue and sell its trust securities;

use the proceeds from the sale of its trust securities to purchase and hold a series of our subordinated trust debt securities;

maintain its status as a grantor trust for federal income tax purposes; and

engage in other activities that are necessary or incidental to these purposes.

We will purchase all of the trust common securities of each trust if any such securities are sold. The trust common securities will represent an aggregate liquidation amount equal to at least 3% of each trust's total capitalization. The trust common securities will have terms substantially identical to, and will rank equal in priority of payment with, the trust preferred securities. However, if an event of default under a trust agreement occurs, cash distributions and liquidation, redemption and other amounts payable on the trust common securities will be subordinate to the trust preferred securities in priority of payment.

We will guarantee the trust preferred securities as described later in this prospectus.

Trustees appointed by us, as holder of the trust common securities, will conduct each trust's business and affairs. The trust agreements will govern the duties and obligations of the trustees. Pursuant to each trust agreement, the number of trustees will initially be four, with three different functions. Two of the trustees, who are administrative trustees, will be persons who are our employees or officers or are otherwise affiliated with us. The third trustee, which is the Delaware trustee, will be an individual resident of the State of Delaware or a corporation which maintains a principal place of business in the State of Delaware. The Delaware trustee will serve the sole purpose of complying with certain Delaware laws. The fourth trustee will be a bank or trust company unaffiliated with us and will serve as property trustee under each trust agreement and as indenture trustee for purposes of the Trust Indenture Act of 1939. Currently, CT Corporation System acts as the Delaware trustee and American Stock Transfer & Trust Company as the property trustee. The property trustee will also act as indenture trustee under the indenture and guarantee trustee under the trust guarantee as described later in this section. We, as the holder of all the trust common securities, will have the right to appoint, remove or replace any trustee and to increase or decrease the number of trustees, provided that the number of trustees will be at least three, two of which will be the administrative trustees and one of which will be the Delaware trustee.

The property trustee will hold title to our subordinated trust debt securities held by the trust for the benefit of the holders of the trust securities. The property trustee will have the power to exercise all rights, powers and privileges as the holder of the subordinated trust debt securities under the indenture pursuant to which the subordinated trust debt securities will be issued. In addition, the property trustee will maintain exclusive control of a segregated non-interest bearing bank account to hold all payments made in respect of the subordinated trust debt securities for the benefit of the holders of the trust securities. The property trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the trust securities out of funds from the account. The guarantee trustee will hold the guarantee by us of the trust securities for the benefit of the holders of the trust preferred securities.

We will pay all fees and expenses related to each trust and each offering of the related trust preferred securities and will pay all ongoing costs and expenses of each trust, except such trust's obligations under the related trust securities.

The rights of the holders of the trust preferred securities, including economic rights, rights to information and voting rights, are set forth in each trust's trust agreement and the Delaware Statutory Trust Act and the



## **Table of Contents**

Trust Indenture Act. The principal place of business of each trust is c/o D.R. Horton, Inc., 301 Commerce Street, Suite 500, Fort Worth, Texas 76102. The telephone number is 817-390-8200.

### **Accounting Treatment**

Under the requirements of Financial Accounting Standards Board Interpretation No. 46(R), Consolidation of Variable Interest Entities, we expect the trusts will not be consolidated in our consolidated financial statements. Accordingly, we will recognize the aggregate principal amount of our subordinated trust debt securities sold to a trust as a liability on our balance sheet. Our financial statements will include a note that will disclose, among other things, that the assets of the trust consist of our subordinated trust debt securities sold to the trust and will specify the designation, principal amount, interest rate and maturity date of the subordinated trust debt securities held by it. Because the actual terms of an issuance of trust preferred securities could affect the accounting treatment, the prospectus supplement relating to an offering of trust preferred securities will describe the accounting treatment expected to apply to such securities.

## **SECURITIES WE MAY OFFER**

### **Types of Securities**

The types of securities that we may offer and sell from time to time by this prospectus are:

debt securities, which we may issue in one or more series and which may include guarantees of the debt securities by most of our subsidiaries;

preferred stock, which we may issue in one or more series;

depository shares;

common stock;

warrants entitling the holders to purchase common stock, preferred stock or debt securities;

stock purchase contracts; or

stock purchase units.

In addition, from time to time by this prospectus, one or more of the trusts may offer and sell trust preferred securities, which will include our trust guarantees. The trusts will hold our subordinated trust debt securities, which may be distributed to holders of trust securities under specified circumstances.

We may also offer and sell units of the above securities, which may or may not include trust preferred securities issued by one or more of the trusts.

The aggregate initial offering price of all securities sold will not exceed \$3,000,000,000. When we sell securities, we will determine the amounts of securities we will sell and the prices and other terms on which we will sell them. We may sell securities to or through underwriters, through agents or dealers or directly to purchasers.

### **Additional Information**

We will describe in a prospectus supplement, which we will deliver with this prospectus, the terms of particular securities which we may offer in the future. In each prospectus supplement we will include the following information:

the type and amount of securities which we propose to sell;

the initial public offering price of the securities;

the names of the underwriters, agents or dealers, if any, through or to which we will sell the securities;

the compensation, if any, of those underwriters, agents or dealers;



**Table of Contents**

if applicable, information about securities exchanges or automated quotation systems on which the securities will be listed or traded;

material United States federal income tax considerations applicable to the securities;

any material risk factors associated with the securities; and

any other material information about the offer and sale of the securities.

In addition, the prospectus supplement may also add, update or change the information contained in this prospectus.

**USE OF PROCEEDS**

Except as may be stated in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities for general corporate purposes. These purposes may include:

reducing or repaying existing indebtedness, including our revolving credit facility or outstanding debt securities;

providing additional working capital;

acquiring and developing land;

constructing new homes; and

acquiring companies in homebuilding and related businesses.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA**

The following summary consolidated financial information for the five years ended September 30, 2004 is derived from our audited consolidated financial statements except as described in the footnotes below. The following summary consolidated financial information for the nine months ended June 30, 2005 and 2004 is derived from our unaudited 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. 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.

	<b>Nine Months Ended June 30,</b>		<b>Year Ended September 30,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>(In millions, except per share amounts and number of homes)</b>							
<b>Income statement data(1):</b>							
Revenues:							
Homebuilding	\$ 8,610.4	\$ 7,198.5	\$ 10,658.0	\$ 8,552.1	\$ 6,625.2	\$ 4,383.6	\$ 3,604.2
Financial services	156.5	131.7	182.8	176.0	113.6	72.0	49.5
Gross profit homebuilding	2,225.2	1,636.1	2,460.7	1,746.3	1,260.8	856.4	663.1
Income before income taxes:							
Homebuilding	1,409.9	960.4	1,508.2	914.7	591.1	380.8	294.5
Financial services	64.3	56.6	74.7	93.5	56.4	27.0	14.7
Income before cumulative effect of change in accounting principle	906.7	625.5	975.1	626.0	404.7	254.9	191.7
Cumulative effect of change in accounting principle, net of income taxes(2)						2.1	
Net income(3)	906.7	625.5	975.1	626.0	404.7	257.0	191.7
Income before cumulative effect of change in accounting principle per share(4):							
Basic	2.91	2.02	3.14	2.11	1.51	1.12	0.85
Diluted(5)	2.85	1.98	3.09	1.99	1.39	1.07	0.84
Net income per share(4):							
Basic	2.91	2.02	3.14	2.11	1.51	1.13	0.85
Diluted(5)	2.85	1.98	3.09	1.99	1.39	1.08	0.84
<b>Selected operating data(1):</b>							
	25.8%	22.7%	23.1%	20.4%	19.0%	19.5%	18.4%

Gross profit margin homebuilding							
Number of homes closed	32,550	30,115	43,567	35,934	29,761	21,371	19,144
New sales orders, net (homes)(6)	39,282	34,158	45,263	38,725	31,491	22,179	19,223
New sales orders, net (\$ value)(6)	\$ 10,889.2	\$ 8,583.8	\$ 11,406.2	\$ 9,162.3	\$ 6,885.9	\$ 4,502.6	\$ 3,676.4
Sales order backlog at end of period (homes)(7)	23,916	19,531	17,184	15,488	12,697	9,263	7,388
Sales order backlog at end of period (\$ value)(7)	\$ 7,024.7	\$ 5,156.5	\$ 4,568.5	\$ 3,653.4	\$ 2,825.2	\$ 1,933.8	\$ 1,536.9
<b>Other financial data(1):</b>							
Interest expensed:							
Expensed directly	\$ 9.1	\$ 7.3	\$ 9.3	\$ 12.6	\$ 11.5	\$ 14.1	\$ 15.8
Amortized to cost of sales	158.6	173.1	249.0	219.4	136.2	91.4	69.6
Provision for income taxes	567.5	391.5	607.8	382.2	242.8	152.9	117.5

**Table of Contents**

	<b>Nine Months Ended June 30,</b>		<b>Year Ended September 30,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>(In millions, except per share amounts and number of homes)</b>							
Depreciation and amortization	39.2	34.4	49.6	41.8	32.8	31.2	22.0
Interest incurred(8)	213.9	181.7	242.6	246.9	204.3	136.3	110.0

	<b>As of June 30,</b>		<b>As of September 30,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>(In millions)</b>							
<b>Balance sheet data(1):</b>							
Inventories	\$ 8,622.4	\$ 6,383.2	\$ 6,567.4	\$ 5,082.3	\$ 4,343.1	\$ 2,804.4	\$ 2,191.0
Total assets	11,044.5	8,202.4	8,985.2	7,279.4	6,017.5	3,652.2	2,694.6
Notes payable(9)	4,363.1	3,318.8	3,499.2	2,963.2	2,878.3	1,884.3	1,344.4
Stockholders' equity	4,820.3	3,625.0	3,960.7	3,031.3	2,269.9	1,250.2	969.6

- (1) On February 21, 2002, we acquired Schuler Homes in a merger. The total merger consideration consisted of 20,079,532 shares of D.R. Horton common stock, valued at \$30.93 per share; \$168.7 million in cash; \$802.2 million of assumed Schuler debt, \$238.2 million of which was paid at closing; \$218.7 million of assumed trade payables and other liabilities; and \$10.8 million of assumed obligations to the Schuler entities' minority interest holders. Schuler's revenues for the period February 22, 2002 through September 30, 2002 were \$1,246.6 million.
- (2) In fiscal 2001, we recorded a cumulative effect of a change in accounting principle of \$2.1 million, net of income taxes of \$1.3 million, as an adjustment to net income, related to our adoption of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities.
- (3) Beginning in fiscal 2002, pursuant to our adoption of Statement of Financial Accounting Standards No. 142, we no longer amortize goodwill, but test it for impairment annually. If we had not amortized goodwill in fiscal 2001 and 2000, reported net income and diluted net income per share (before cumulative effect of change in accounting principle and adjusted to reflect the effects of the 11% stock dividend on March 23, 2001, the three-for-two common stock splits, effected as 50% stock dividends and paid on April 9, 2002 and January 12, 2004, and the four-for-three common stock split, effected as a 33% stock dividend and paid on March 16, 2005) would have been:

<b>Net Income (In millions)</b>			<b>Diluted Net Income Per Share</b>		
<b>Originally Reported</b>	<b>Increase</b>	<b>Before Goodwill Amortization</b>	<b>Including Goodwill Amortization</b>	<b>Increase</b>	<b>Excluding Goodwill Amortization</b>



2001	\$ 254.9	\$ 6.0	\$ 260.9	\$ 1.07	\$ 0.03	\$ 1.10
2000	191.7	5.1	196.8	0.84	0.03	0.87

- (4) Per share amounts have been adjusted to reflect the effects of the 11% stock dividend of March 2001, the three-for-two stock splits of April 2002 and January 2004, and the four-for-three stock split of March 16, 2005.
- (5) In October 2004, the Financial Accounting Standards Board ratified EITF Issue No. 04-8, The Effect of Contingently Convertible Debt on Diluted Earnings per Share (known as EITF 04-8). EITF 04-8 requires that shares underlying contingently convertible debt be included in diluted earnings per share computations using the if-converted method regardless of whether the market price trigger or other contingent features have been met. The effective date for EITF 04-8 is for reporting periods ending after December 15, 2004. EITF 04-8 also requires restatement of earnings per share amounts for prior periods presented during which the instrument was outstanding. In May 2001, we issued zero coupon convertible senior notes, which were converted into shares of our common stock in June 2003. During certain quarters of the years ended September 30, 2001, 2002 and 2003, the market price trigger was not met and the convertible shares were not included in the computation of diluted net income per share. In

**Table of Contents**

accordance with EITF 04-8, we have restated diluted income before cumulative effect of change in accounting principle and net income, which reduced our diluted net income per share for the years ended September 30, 2003, 2002 and 2001 by \$0.06, \$0.05 and \$0.03, respectively.

- (6) Represents homes placed under contract during the period, net of cancellations.
- (7) Represents homes under contract but not yet closed at the end of the period, some of which are subject to contingencies, including mortgage loan approval. In the past, our backlog has been a reliable indicator of the level of closings in our two subsequent fiscal quarters, but we cannot assure you that homes subject to pending sales contracts will close.
- (8) Interest incurred consists of all interest costs, whether expensed or capitalized, including amortization of debt issuance costs, if applicable.
- (9) Notes payable excludes liabilities associated with consolidated land inventory not owned.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the five years ended September 30, 2004 and for the nine months ended June 30, 2005:

	<b>Nine Months Ended June 30,</b>	<b>Year Ended September 30,</b>				
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Ratio	7.40	7.39	4.95	3.81	3.69	3.52

For purposes of computing the ratio of earnings to fixed charges, earnings consist of income, including distributions received from equity investments, before income taxes, cumulative effect of a change in accounting principle, interest expensed, interest amortized to cost of sales and income attributable to minority 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.

**DESCRIPTION OF DEBT SECURITIES**

We may issue debt securities under one or more indentures entered into or to be entered into between us, most of our subsidiaries if they guarantee the debt securities, and American Stock Transfer & Trust Company, New York, New York, as trustee, or another trustee chosen by us, qualified to act as such under the Trust Indenture Act and appointed in a supplemental indenture with respect to a particular series. The indentures are governed by the Trust Indenture Act.

The following is a summary of the indentures. It does not restate the indentures entirely. We urge you to read the indentures. We have filed the indentures as exhibits to the registration statement of which this prospectus is a part, and you may inspect them at the office of the trustee, or as described under **Incorporation of Certain Documents By Reference**. References below to an indenture are references to the applicable indenture, as supplemented, under which a particular series of debt securities is issued.

**Terms of the Debt Securities**

Our debt securities will be unsecured obligations of D.R. Horton, Inc. We may issue them in one or more series. Authorizing resolutions or a supplemental indenture will set forth the specific terms of each series of debt securities. We will provide a prospectus supplement for each series of debt securities that will describe:

the title of the debt securities and whether the debt securities are senior, senior subordinated, or subordinated debt securities;

the aggregate principal amount of the debt securities and any limit upon the aggregate principal amount of the series of debt securities;

the date or dates on which principal of the debt securities will be payable and the amount of principal which will be payable;

the rate or rates (which may be fixed or variable) at which the debt securities will bear interest, if any, as well as the dates from which interest will accrue, the dates on which interest will be payable and the record date for the interest payable on any payment date;

the currency or currencies in which principal, premium, if any, and interest, if any, will be payable;

the place or places where principal, premium, if any, and interest, if any, on the debt securities will be payable and where debt securities which are in registered form can be presented for registration of transfer or exchange; and the identification of any depositary or depositaries for any global debt securities;

any provisions regarding our right to redeem or purchase debt securities or the right of holders to require us to redeem or purchase debt securities;

**Table of Contents**

the right, if any, of holders of the debt securities to convert them into our common stock or other securities, including any provisions intended to prevent dilution of the conversion rights;

any provisions requiring or permitting us to make payments to a sinking fund to be used to redeem debt securities or a purchase fund to be used to purchase debt securities;

the percentage of the principal amount at which debt securities will be issued and, if other than the full principal amount thereof, the percentage of the principal amount of the debt securities which is payable if maturity of the debt securities is accelerated because of a default;

the terms, if any, upon which debt securities may be subordinated to our other indebtedness;

any additions to, modifications of or deletions from the terms of the debt securities with respect to events of default or covenants or other provisions set forth in the indenture; and

any other material terms of the debt securities, which may be different from the terms set forth in this prospectus.

Each prospectus supplement will describe, as to the debt securities to which it relates, any guarantees by our direct and indirect subsidiaries which may guarantee the debt securities, including the terms of subordination, if any, of any such guarantee.

The applicable prospectus supplement will also describe any material covenants to which a series of debt securities will be subject.

**Events of Default and Remedies**

Unless otherwise described in the prospectus supplement, an event of default with respect to any series of debt securities will be defined in the indenture or applicable supplemental indenture as being:

our default in payment of the principal of or premium, if any, on any of the debt securities of such series;

default for 30 days in payment of any installment of interest on any debt security of such series beyond any applicable grace period;

default by us or any guarantor subsidiary for 60 days after notice in the observance or performance of any other covenants in the indenture or applicable supplemental indenture relating to such series; and

bankruptcy, insolvency or reorganization of our company or our significant guarantor subsidiaries.

The indenture will provide that the trustee may withhold notice to the holders of any series of debt securities of any default, except a default in payment of principal, premium, if any, or interest, if any, with respect to such series of debt securities, if the trustee considers it in the interest of the holders of such series of debt securities to do so.

The indenture will provide that if any event of default has occurred and is continuing with respect to any series of debt securities, the trustee or the holders of not less than 25% in principal amount of such series of debt securities then outstanding may declare the principal of all the debt securities of such series to be due and payable immediately. However, the holders of a majority in principal amount of the debt securities of such series then outstanding by written notice to the trustee and to us may waive any event of default with respect to such series of debt securities, other than any event of default in payment of principal or interest. Holders of a majority in principal amount of the then outstanding debt securities of any series may rescind an acceleration with respect to such series and its consequences, except an acceleration due to nonpayment of principal or interest on such series, if the rescission would not conflict with any judgment or decree and if all existing events of default with respect to such series have been cured or waived.

The holders of a majority of the outstanding principal amount of the debt securities of any series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee with respect to such series, subject to limitations specified in the indenture.



## **Table of Contents**

### **Defeasance**

The indenture will permit us and our guarantor subsidiaries to terminate all our respective obligations under the indenture as they relate to any particular series of debt securities, other than the obligation to pay interest, if any, on and the principal of the debt securities of such series and certain other obligations, at any time by:

depositing in trust with the trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest, if any, on the debt securities of such series to their maturity; and

complying with other conditions, including delivery to the trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that holders will not recognize income, gain or loss for federal income tax purposes as a result of our exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise.

In addition, the indenture will permit us and our guarantor subsidiaries to terminate all of our respective obligations under the indenture as they relate to any particular series of debt securities, including the obligations to pay interest, if any, on and the principal of the debt securities of such series and certain other obligations, at any time by:

depositing in trust with the trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest, if any, on the debt securities of such series to their maturity; and

complying with other conditions, including delivery to the trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that holders will not recognize income, gain or loss for federal income tax purposes as a result of our exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise, which opinion of counsel is based upon a change in the applicable federal tax law since the date such series of debt securities are originally issued.

### **Transfer and Exchange**

A holder will be able to transfer or exchange debt securities only in accordance with the indenture. The registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the indenture.

### **Amendment, Supplement and Waiver**

Without the consent of any holder, we and the trustee may amend or supplement the indenture, the debt securities or the guarantees of debt securities to:

cure any ambiguity, defect or inconsistency;

create a series and establish its terms;

provide for uncertificated debt securities in addition to or in place of certificated debt securities;

make any change that does not adversely affect the legal rights of any holder; or

delete a guarantor subsidiary which, in accordance with the terms of the indenture, ceases to be liable on its guarantee of debt securities.

With the exceptions discussed below, we and the trustee may amend or supplement the indenture, the debt securities or the guarantees of a particular series with the consent of the holders of at least a majority in principal amount of the debt securities of such series then outstanding. In addition, the holders of a majority in principal amount of the debt securities of such series then outstanding may waive any existing default under, or compliance with, any provision of the indenture relating to a particular series of debt securities, other than





## **Table of Contents**

any event of default in payment of interest or principal. These consents and waivers may be obtained in connection with a tender offer or exchange offer for debt securities.

Without the consent of each holder affected, we and the trustee may not:

reduce the amount of debt securities of such series whose holders must consent to an amendment, supplement or waiver;

reduce the rate of or change the time for payment of interest;

reduce the principal of or change the fixed maturity of any debt security or alter the provisions with respect to redemptions or mandatory offers to repurchase debt securities;

make any debt security payable at a place or in money other than that stated in the debt security;

modify the ranking or priority of the debt securities or any guarantee;

release any guarantor from any of its obligations under its guarantee or the indenture except in accordance with the indenture; or

waive a continuing default in the payment of principal of or interest on the debt securities.

The right of any holder to participate in any consent required or sought pursuant to any provision of the indenture, and our obligation to obtain any such consent otherwise required from such holder, may be subject to the requirement that such holder shall have been the holder of record of debt securities with respect to which such consent is required or sought as of a date identified by the trustee in a notice furnished to holders in accordance with the indenture.

### **Concerning the Trustee**

In the ordinary course of its business, American Stock Transfer and Trust Company, the trustee, provides, and may continue to provide, service to us as transfer agent for our common stock and trustee under indentures relating to our senior notes and senior subordinated notes. The indenture contains, or will contain, limitations on the rights of the trustee, should it become our creditor, to obtain payment of claims in specified cases or to realize on property received in respect of any such claim as security or otherwise. The indenture permits, or will permit, the trustee to engage in other transactions; however, if it acquires any conflicting interest, it must eliminate such conflict or resign.

The indenture provides, or will provide, that in case an event of default occurs and is not cured, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of such person's own affairs. The trustee may refuse to perform any duty or exercise any right or power under the indenture, unless it receives indemnity satisfactory to it against any loss, liability or expense.

### **Governing Law**

The laws of the State of New York govern, or will govern, the indenture, the debt securities and the guarantees of the debt securities.

### **DESCRIPTION OF COMMON STOCK, PREFERRED STOCK AND DEPOSITARY SHARES**

Our authorized capital stock is 400,000,000 shares of common stock, \$.01 par value, and 30,000,000 shares of preferred stock, \$.10 par value. At September 2, 2005, 312,888,762 shares of common stock and no shares of preferred stock were outstanding.

### **Common Stock**

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The vote of the holders of a majority of the stock represented at a meeting

## Table of Contents

at which a quorum is present is generally required to take stockholder action, unless a greater vote is required by law. The holders are not entitled to cumulative voting in the election of directors. Directors are elected by plurality vote. Accordingly, the holder or holders of a majority of the outstanding shares of common stock will be able to elect our entire board of directors.

Holders of common stock have no preemptive rights. They are entitled to such dividends as may be declared by our board of directors out of funds legally available for such purpose. The common stock is not entitled to any sinking fund, redemption or conversion provisions. On our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in our net assets remaining after the payment of all creditors and liquidation preferences of preferred stock, if any. The outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable. There will be a prospectus supplement relating to any offering of common stock offered by this prospectus.

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company, New York, New York, which currently serves as trustee for our series of senior notes and senior subordinated notes described in Description of Debt Securities *Concerning the Trustee* and may also serve as trustee under other indentures for debt securities offered by this prospectus.

The following provisions in our charter or bylaws may make a takeover of our company more difficult:

an article in our charter prohibiting stockholder action by written consent;

an article in our charter requiring the affirmative vote of the holders of two-thirds of the outstanding shares of common stock to remove a director;

a bylaw limiting the persons who may call special meetings of stockholders to our board of directors or a committee authorized to call a meeting by the board or the bylaws; and

bylaws providing time limitations for nominations for election to the board of directors or for proposing matters which can be acted upon at stockholders' meetings.

These provisions may delay stockholder actions with respect to business combinations and the election of new members to our board of directors. As such, the provisions could discourage open market purchases of our common stock because a stockholder who desires to participate in a business combination or elect a new director may consider them disadvantageous. Additionally, the issuance of preferred stock could delay or prevent a change of control or other corporate action.

As a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an interested stockholder from engaging in a business combination with us for three years following the date that person became an interested stockholder, unless:

before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;

upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding stock held by persons who are both directors and officers of our corporation or by certain employee stock plans; or

on or following the date on which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub> % of our outstanding voting stock excluding shares held by the interested stockholder.

A interested stockholder is generally a person owning 15% or more of our outstanding voting stock. A business combination includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder.



## **Table of Contents**

### **Preferred Stock**

We may issue preferred stock in series with any rights and preferences which may be authorized by our board of directors. We will distribute a prospectus supplement with regard to each particular series of preferred stock. Each prospectus supplement will describe, as to the series of preferred stock to which it relates:

the title of the series of preferred stock;

any limit upon the number of shares of the series of preferred stock which may be issued;

the preference, if any, to which holders of the series of preferred stock will be entitled upon our liquidation;

the date or dates on which we will be required or permitted to redeem the preferred stock;

the terms, if any, on which we or holders of the preferred stock will have the option to cause the preferred stock to be redeemed or purchased;

the voting rights, if any, of the holders of the preferred stock;

the dividends, if any, which will be payable with regard to the series of preferred stock, which may be fixed dividends or participating dividends and may be cumulative or non-cumulative;

the right, if any, of holders of the preferred stock to convert it into another class of our stock or securities, including provisions intended to prevent dilution of those conversion rights;

any provisions by which we will be required or permitted to make payments to a sinking fund to be used to redeem preferred stock or a purchase fund to be used to purchase preferred stock; and

any other material terms of the preferred stock.

Holders of shares of preferred stock will not have preemptive rights.

### **Depositary Shares**

*General.* We may, at our option, elect to offer fractional shares of preferred stock, rather than full shares of preferred stock. If we exercise this option, we will issue to the public receipts for depositary shares, and each of these depositary shares will represent a fraction (to be set forth in the applicable prospectus supplement) of a share of a particular series of preferred stock.

The shares of any series of preferred stock underlying the depositary shares will be deposited under a deposit agreement between us and a bank or trust company selected by us. The depositary will have its principal office in the United States and a combined capital and surplus of at least \$50,000,000. Subject to the terms of the deposit agreement, each owner of a depositary share will be entitled, in proportion, to the applicable fraction of a share of preferred stock underlying that depositary share, to all the rights and preferences of the preferred stock underlying that depositary share. Those rights include dividend, voting, redemption and liquidation rights.

The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock underlying the depositary shares, in accordance with the terms of the offering. Copies of the forms of deposit agreement and depositary receipt will be filed as exhibits to the registration statement. The following summary of the deposit agreement, the depositary shares and the depositary receipts is not complete. You should refer to the forms of the deposit agreement and depositary receipts that will be filed with the SEC in connection with the offering of the specific depositary shares.

Pending the preparation of definitive engraved depositary receipts, the depositary may, upon our written order, issue temporary depositary receipts substantially identical to the definitive depositary receipts but not in definitive

form. These temporary depositary receipts entitle their holders to all the rights of definitive

## **Table of Contents**

depository receipts which are to be prepared without unreasonable delay. Temporary depository receipts will then be exchangeable for definitive depository receipts at our expense.

*Dividends and Other Distributions.* The depository will distribute all cash dividends or other cash distributions received with respect to the preferred stock to the record holders of depository shares relating to the preferred stock in proportion to the number of depository shares owned by those holders.

If there is a distribution other than in cash, the depository will distribute property received by it to the record holders of depository shares that are entitled to receive the distribution, unless the depository determines that it is not feasible to make the distribution. If this occurs, the depository may, with our approval, sell the property and distribute the net proceeds from the sale to the applicable holders.

*Redemption of Depositary Shares.* If a series of preferred stock represented by depository shares is subject to redemption, the depository shares will be redeemed from the proceeds received by the depository resulting from the redemption, in whole or in part, of that series of preferred stock held by the depository. The redemption price per depository share will be equal to the applicable redemption fraction of the redemption price per share payable with respect to that series of the preferred stock. Whenever we redeem shares of preferred stock that are held by the depository, the depository will redeem, as of the same redemption date, the number of depository shares representing the shares of preferred stock so redeemed. If fewer than all the depository shares are to be redeemed, the depository shares to be redeemed will be selected by lot or pro rata as may be determined by the depository.

*Voting the Preferred Stock.* Upon receipt of notice of any meeting at which the holders of the preferred stock are entitled to vote, the depository will mail the information contained in such notice to the record holders of the depository shares underlying the preferred stock. Each record holder of the depository shares on the record date, which will be the same date as the record date for the preferred stock, will be entitled to instruct the depository as to the exercise of the voting rights pertaining to the amount of the preferred stock represented by the holder's depository shares. The depository will then try, as far as practicable, to vote the number of shares of preferred stock underlying those depository shares in accordance with such instructions. We will agree to take all actions which may be deemed necessary by the depository to enable the depository to do so. The depository will not vote the shares of preferred stock to the extent it does not receive specific instructions from the holders of depository shares underlying the preferred stock.

*Amendment and Termination of the Depositary Agreement.* The form of depository receipt evidencing the depository shares and any provision of the deposit agreement may at any time be amended by agreement between us and the depository. However, any amendment which materially and adversely alters the rights of the holders of depository shares will not be effective unless the amendment has been approved by the holders of at least a majority of the depository shares then outstanding. The deposit agreement may be terminated by us or by the depository only if (a) all outstanding depository shares have been redeemed or (b) there has been a final distribution of the underlying preferred stock in connection with our liquidation, dissolution or winding up and the preferred stock has been distributed to the holders of depository receipts.

*Charges of Depositary.* We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depository arrangements. We will also pay charges of the depository in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depository receipts will pay other transfer and other taxes and governmental charges and those other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depository receipts, as are expressly provided in the deposit agreement to be for their accounts.

*Miscellaneous.* The depository will forward to holders of depository receipts all reports and communications from us that we deliver to the depository and that we are required to furnish to the holders of the preferred stock.

Neither we nor the depository will be liable if either of us is prevented or delayed by law or any circumstance beyond our control in performing our respective obligations under the deposit agreement. Our obligations and those of the depository will be limited to performance in good faith of our respective duties under the deposit agreement. Neither we nor the depository will be obligated to prosecute or defend any legal



## **Table of Contents**

proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. We and the depositary may rely upon written advice of counsel or accountants, or upon information provided by persons presenting preferred stock for deposit, holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

*Resignation and Removal of Depositary.* The depositary may resign at any time by delivering notice to us of its election to resign. We may remove the depositary at any time. Any resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of the appointment. The successor depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

### **DESCRIPTION OF WARRANTS**

We may issue warrants for the purchase of debt securities, preferred stock, common stock, or units of two or more of these types of securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any registered holders of warrants or beneficial owners of warrants.

We will distribute a prospectus supplement with regard to each issue of warrants. Each prospectus supplement will describe:

in the case of warrants to purchase debt securities, the designation, aggregate principal amount, currencies, denominations and terms of the series of debt securities purchasable upon exercise of the warrants and the price at which you may purchase the debt securities upon exercise;

in the case of warrants to purchase preferred stock, the designation, number of shares, stated value and terms, such as liquidation, dividend, conversion and voting rights, of the series of preferred stock purchasable upon exercise of the warrants and the price at which you may purchase such number of shares of preferred stock of such series upon such exercise;

in the case of warrants to purchase common stock, the number of shares of common stock purchasable upon the exercise of the warrants and the price at which you may purchase such number of shares of common stock upon such exercise;

the period during which you may exercise the warrants;

any provision adjusting the securities that may be purchased on exercise of the warrants, and the exercise price of the warrants, to prevent dilution or otherwise;

the place or places where warrants can be presented for exercise or for registration of transfer or exchange; and

any other material terms of the warrants.

Warrants for the purchase of preferred stock and common stock will be offered and exercisable for U.S. dollars only. Warrants will be issued in registered form only. The exercise price for warrants will be subject to adjustment as described in the applicable prospectus supplement.

Prior to the exercise of any warrants to purchase debt securities, preferred stock or common stock, holders of the warrants will not have any of the rights of holders of the debt securities, preferred stock or common stock purchasable upon exercise, including:

in the case of warrants for the purchase of debt securities, the right to receive payments of principal of, any premium or interest on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture; or





**Table of Contents**

in the case of warrants for the purchase of preferred stock or common stock, the right to vote or to receive any payments of dividends on the preferred stock or common stock purchasable upon exercise.

**DESCRIPTION OF STOCK PURCHASE CONTRACTS  
AND STOCK PURCHASE UNITS**

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and obligating us to sell to the holders, a specified number of shares of common stock at a future date or dates. The consideration per share of common stock may be fixed at the time stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately, or as part of stock purchase units consisting of a stock purchase contract and debt securities, trust preferred securities or debt obligations of third parties, including U.S. treasury securities, securing the holders' obligations to purchase the common stock under the stock purchase contracts. The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and such payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner.

The applicable prospectus supplement will describe the terms of any stock purchase contracts or stock purchase units. The description in the prospectus supplement will not necessarily be complete, and reference will be made to the stock purchase contract, and, if applicable, collateral or depositary arrangements, relating to such stock purchase contracts or stock purchase units. Material United States federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will be discussed in the related prospectus supplement.

**DESCRIPTION OF UNITS**

As specified in the applicable prospectus supplement, units will consist of one or more stock purchase contracts, warrants, debt securities, debt securities guarantees, trust preferred securities, guarantees of trust preferred securities, preferred stock, common stock, or any combination thereof. You should refer to the applicable prospectus supplement for:

all terms of the units and of the stock purchase contracts, warrants, debt securities, debt securities guarantees, trust preferred securities, guarantees of trust preferred securities, shares of preferred stock or shares of common stock or any combination thereof comprising the units, including whether and under what circumstances the securities comprising the units may or may not be traded separately;

a description of the terms of any unit agreement governing the units; and

a description of the provisions for the payment, settlement, transfer or exchange of the units.

**DESCRIPTION OF TRUST PREFERRED SECURITIES**

**Description of Trust Securities**

Each trust may issue only one series of trust preferred securities having terms described in its related prospectus supplement. Each trust agreement will be qualified as an indenture under the Trust Indenture Act and will contain the terms of the trust preferred securities. The property trustee will act as indenture trustee for purposes of the Trust Indenture Act.

We will set forth the terms of the trust preferred securities, including distributions, redemption, voting, liquidation rights and such other preferred, deferred or other special rights or restrictions, in the trust agreement. In addition, the Trust Indenture Act automatically makes some terms a part of the trust agreement. The terms of the trust preferred securities will correspond to the terms of the subordinated trust debt securities held by the trust and described in the related prospectus supplement.

**Table of Contents**

The prospectus supplement relating to the trust preferred securities of a trust will include the specific terms of the series of trust preferred securities being issued, including:

the distinctive designation of the trust preferred securities;

the number of trust preferred securities issuable by the trust;

the annual distribution rate, or method of determining such rate, for trust preferred securities and the date or dates upon which such distributions will be payable and the record date or dates for the payment of such distributions;

whether distributions on trust preferred securities will be cumulative, and, in the case of trust preferred securities having such cumulative distribution rights, the date or dates or method of determining the date or dates from which distributions on trust preferred securities will be cumulative;

the amount or amounts which will be paid out of the assets of the trust to the holders of trust preferred securities upon voluntary or involuntary dissolution, winding-up or termination of the trust;

the obligation or right, if any, of the trust to purchase or redeem trust preferred securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which trust preferred securities will be purchased or redeemed, in whole or in part, pursuant to such obligation or right;

the voting rights, if any, of holders of trust preferred securities in addition to those required by law, including the number of votes per trust preferred security and any requirement for approval by the holders of such trust preferred securities, or of trust preferred securities issued by other trusts, or both, as a condition to specified action or amendments to the trust agreement;

the terms for any conversion or exchange into other securities;

the terms and conditions, if any, upon which the subordinated trust debt securities owned by the trust may be distributed to holders of trust preferred securities;

if applicable, any securities exchange upon which the trust preferred securities will be listed; and

any other relevant rights, preferences, privileges, limitations or restrictions of trust preferred securities not inconsistent with the trust agreement or with applicable law.

We will guarantee distributions on trust preferred securities to the extent set forth below under Description of Trust Guarantees. We will describe material United States federal income tax considerations applicable to trust preferred securities in a prospectus supplement relating to the trust preferred securities.

Each trust will issue a series of trust common securities in connection with the issuance of trust preferred securities. Except for voting rights, the terms of trust common securities will be substantially identical to the terms of trust preferred securities. Trust common securities will rank equally with trust preferred securities except that, upon an event of default under the trust agreement, the rights of holders of trust common securities to payments will be subordinated to the rights of holders of trust preferred securities. The trust common securities will also carry the right to vote to appoint, remove or replace any trustee of the trust. We will own all of the trust common securities.

***Enforcement of Certain Rights by Holders of Trust Preferred Securities***

If an event of default as defined in the applicable trust agreement occurs and is continuing, then the holders of trust preferred securities of such trust would rely on the enforcement by the property trustee of its rights as a holder of the applicable series of subordinated trust debt securities against us. In addition, so long as their directions do not conflict with any rule of law or with such trust agreement, and could not involve such property trustee in personal liability in

circumstances where reasonable indemnity would not be adequate, the

23

---

## **Table of Contents**

holders of a majority in aggregate liquidation amount of trust preferred securities of such trust may direct the property trustee as to:

the time, method and place of conducting any proceeding for any remedy available to such property trustee;

the exercise of any trust or power conferred upon such property trustee under such trust agreement; and

the exercise of the remedies available to the property trustee as a holder of subordinated trust debt securities.

If such property trustee fails to enforce its rights under the subordinated trust debt securities held by such trust, a holder of trust preferred securities of such trust may, to the extent permitted by law, institute a legal proceeding directly against us to enforce such property trustee's rights under such trust agreement. In such case, the holder would not be required to institute a legal proceeding against the property trustee, the trust or any other person. In no event will such holder be permitted or authorized to affect, disturb or prejudice the rights of any other holder or to obtain or to seek to obtain priority or preference over any other holder or to enforce any right under such trust agreement, except in the manner described in the trust agreement and for the equal and ratable benefit of all such holders. Notwithstanding the foregoing, a holder of trust preferred securities of such trust may institute a proceeding directly against us for enforcement of payment to such holder of the principal of or interest on the subordinated trust debt securities held by such trust having a principal amount equal to the aggregate stated liquidation amount of such trust preferred securities held by such holder, on or after the due dates specified or provided for in such subordinated trust debt securities. In such case, the holder would not be required to institute a legal proceeding against the property trustee, the trust or any other person. In connection with such proceeding, we will be subrogated to the rights of such holder under the trust agreement to the extent of any payment made by us to such holder.

### **Description of Trust Guarantees**

The following is a summary of information concerning the guarantees of the trust preferred securities of each trust, which we refer to as the trust guarantees. We will execute each trust guarantee for the benefit of holders of trust preferred securities. We will qualify each trust guarantee as an indenture under the Trust Indenture Act. We will identify the trust guarantee trustee for purposes of the Trust Indenture Act in a prospectus supplement with respect to the trust preferred securities.

The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the form of trust guarantee, which has been or will be filed as an exhibit to the registration statement of which this prospectus forms a part. The trust guarantee will be held by the trust guarantee trustee for the benefit of holders of trust preferred securities.

#### ***General***

To the extent set forth in the trust guarantee, we will agree to pay in full the guarantee payments, described below, without duplication of amounts theretofore paid by or on behalf of the trust, as and when due regardless of any defense, right of set off or counter-claim which we may have. With respect to trust preferred securities issued by a trust, we will pay in full the following payments or distributions as guarantee payments to the extent the trust fails to pay or make such guarantee payments:

any accrued and unpaid distributions on trust preferred securities, to the extent such trust has funds legally and immediately available therefor;

the redemption price, to the extent such trust has funds legally and immediately available therefor with respect to trust preferred securities called for redemption; and

**Table of Contents**

upon voluntary or involuntary dissolution, winding up or termination of such trust, other than in connection with the distribution of subordinated trust debt securities to holders of trust preferred securities or the redemption of all trust preferred securities, the lesser of:

the aggregate of the liquidation amount and all accrued and unpaid distributions on such trust preferred securities to the date of payment, to the extent such trust has funds legally and immediately available therefor, and

the amount of assets of the trust remaining available for distribution to holders of trust preferred securities in liquidation of the trust.

We will determine the redemption price and liquidation amount at the time the trust preferred securities are issued. We may satisfy our obligation to make a guarantee payment by direct payment of the required amounts to the holders of such trust preferred securities or by causing the trust to pay such amounts to such holders.

Each trust guarantee will not apply to any payment or distribution except to the extent the applicable trust has funds legally available for such payment or distribution. If we do not make interest payments on the subordinated trust debt securities purchased by a trust, such trust will not pay distributions on such trust preferred securities issued by such trust and will not have funds legally available. The trust guarantee, when taken together with our obligations under the subordinated trust debt securities, the applicable indenture and the trust agreement, including our obligation to pay costs, expenses, debt, and liabilities of such trust, other than with respect to the trust securities, will be a full and unconditional guarantee, on a subordinated basis, by us of payments due on the trust preferred securities from the time of issuance.

***Amendment of Trust Guarantee; Assignment***

Except for changes which do not materially adversely affect the rights of holders of trust preferred securities, each trust guarantee may be amended only with the approval of a majority in liquidation amount of trust preferred securities issued by the applicable trust. The manner of obtaining any such approval will be as set forth in the applicable trust agreement. The trust guarantee will bind the successors, assigns, receivers, trustees and representatives of us and continue to benefit the trust guarantee trustee and holders of trust preferred securities. Except in connection with a consolidation, merger, conveyance, transfer or lease involving us, permitted under the applicable indenture, we may not assign our rights or delegate our obligations under the trust guarantee.

***Termination of the Trust Guarantee***

Each trust guarantee will terminate as to the trust preferred securities issued by the applicable trust:  
upon full payment of the redemption price of all trust preferred securities of such trust;

upon distribution of subordinated trust debt securities held by such trust to the holders of and in exchange for trust preferred securities; or

upon full payment of amounts payable in accordance with the trust agreement upon liquidation of such trust. The trust guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of trust preferred securities must repay any sums paid to them under the trust preferred securities or trust guarantee.

***Events of Default***

An event of default under a trust guarantee will occur if we fail to make the payments required by the trust guarantee.

The holders of a majority in liquidation amount of trust preferred securities relating to such trust guarantee have the right to direct the time, method and place of conducting any proceeding for any remedy

## **Table of Contents**

available to such trust guarantee trustee or to direct the exercise of any trust or power conferred upon such trust guarantee trustee under the trust guarantee. If the trust guarantee trustee fails to enforce such trust guarantee, any holder of record of trust preferred securities relating to such trust preferred guarantee may institute a legal proceeding directly against us to enforce the trust guarantee trustee's rights, without first instituting any other legal proceeding.

### ***Status of Trust Guarantee***

The trust guarantee will constitute our unsecured obligation and will rank:

subordinate and junior in right of payment to all of our other liabilities, including the subordinated trust debt securities, except those made equal or subordinate by their terms;

equal with the most senior preferred stock which may now or hereafter be issued or guaranteed by us; and

senior to our common stock.

The terms of the trust preferred securities will provide that each holder of trust preferred securities issued by such trust, by acceptance thereof, agrees to the subordination provisions and other terms of the related trust guarantee. Each trust guarantee will constitute a guarantee of payment and not of collection. This means that the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under such trust guarantee without instituting a legal proceeding against any other person or entity. Each trust guarantee will be deposited with the applicable trust guarantee trustee to be held for the benefit of the holders of such trust preferred securities. Except as otherwise noted herein, the trust guarantee trustee has the right to enforce the trust guarantee on behalf of the holders of the related trust preferred securities. Except as described under *Termination of the Trust Guarantee* above, the trust guarantee will not be discharged except by payment of the guarantee payments in full without duplication of amounts theretofore paid by the trust.

### ***Information Concerning Trust Guarantee Trustee***

The trust guarantee trustee, prior to the occurrence of a default with respect to the trust guarantee and after the curing of all such defaults that may have occurred, will undertake to perform only such duties as are specifically set forth in the trust guarantee and, during the continuance of any default, will exercise the same degree of care as a prudent individual would exercise in the conduct of such individual's own affairs. Subject to such provisions, the trust guarantee trustee will be under no obligation to exercise any of the powers vested in it by the trust guarantee at the request of any holder of trust preferred securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby. However, in any event, the trust guarantee trustee must exercise the rights and powers vested in it by such trust guarantee upon the occurrence of an event of default under such trust guarantee. The trust guarantee trustee also serves as property trustee.

### ***Governing Law***

The trust guarantee will be governed by the laws of the State of New York.

### ***Agreement as to Expenses and Liabilities***

As will be required by the trust agreement, we will enter into an agreement in which we irrevocably and unconditionally guarantee to each person or entity to whom the trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of the trust. This separate agreement as to expenses and liabilities does not include obligations of the trust to pay to the holders of the related trust securities or other similar interests in the trust the amounts due such holders pursuant to the terms of such trust securities or such other similar interests, as the case may be.

## **Table of Contents**

### **Additional Description of Subordinated Trust Debt Securities Issued to the Trusts**

Set forth below is a description of the terms of the subordinated trust debt securities which each trust will hold as trust assets. The subordinated trust debt securities may be issued from time to time in one or more series under an indenture between us and an indenture trustee, qualified to act as such under the Trust Indenture Act and appointed in a supplemental indenture with respect to a particular series. We will identify the indenture trustee for purposes of the Trust Indenture Act in a prospectus supplement with respect to the trust preferred securities. We will qualify each subordinated trust debt securities indenture as an indenture under the Trust Indenture Act. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable indenture and supplements creating and governing the subordinated trust debt securities, which have been or will be filed as exhibits to the registration statement of which this prospectus forms a part. The terms of the subordinated trust debt securities will include those stated in the indenture and the related supplemental indenture and those made a part of the indenture by reference to the Trust Indenture Act.

Upon a dissolution of a trust, the property trustee, following satisfaction of liabilities to creditors of the trust in accordance with the provisions of applicable law, may distribute the subordinated trust debt securities held by such trust to the holders of trust securities in liquidation of such trust.

If the property trustee distributes any subordinated trust debt securities to holders of trust preferred securities, we will use our best efforts to have such subordinated trust debt securities traded on the same stock exchange, if any, as the related trust preferred securities are traded.

#### ***General***

Subordinated trust debt securities will be issued in a principal amount equal to the aggregate stated liquidation amount of trust preferred securities, plus our investment in trust common securities.

The entire principal amount of the subordinated trust debt securities held by each trust will mature and become due and payable, together with any accrued and unpaid interest thereon, including additional interest, if any, on the date set forth in the applicable prospectus supplement.

If subordinated trust debt securities held by a trust are distributed to holders of trust preferred securities of such trust in liquidation of such holders' interests in such trust, such subordinated trust debt securities will initially be issued as a global security. Under certain limited circumstances, subordinated trust debt securities may be issued in certificated form in exchange for a global security. In the event subordinated trust debt securities are issued in certificated form, such subordinated trust debt securities will be in denominations as specified in the applicable prospectus supplement and integral multiples thereof and may be transferred or exchanged at the offices described therein. We will make payments on subordinated trust debt securities issued as a global security to the depositary for the subordinated trust debt securities. In the event subordinated trust debt securities are issued in certificated form, principal and interest will be payable, the transfer of the subordinated trust debt securities will be registrable and subordinated trust debt securities will be exchangeable for subordinated trust debt securities of other denominations of a like aggregate principal amount at the corporate trust office of the indenture trustee in New York, New York. In such an event, however, at our option, we may pay interest by check mailed to the address of the persons entitled thereto.

#### ***Certain Covenants***

We will covenant, as long as trust preferred securities of a trust remain outstanding:

- to maintain 100% ownership of trust common securities of such trust;

- not to cause such trust to terminate, except in connection with a distribution of subordinated trust debt securities; and



**Table of Contents**

to use our reasonable efforts to cause such trust:

to remain a statutory business trust, except in connection with the distribution of subordinated trust debt securities held by such trust to the holders of trust securities in liquidation of such trust, the redemption of all trust securities, or certain mergers, consolidations or amalgamations, each as permitted by the trust agreement, and

to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

***Optional Redemption***

We will have the right to redeem the subordinated trust debt securities, in whole or in part, from time to time, without premium or penalty, on or after the date set forth in the applicable prospectus supplement, upon not less than 30 or more than 60 days' notice, at a redemption price equal to a premium on the principal amount to be redeemed plus any accrued and unpaid interest, including additional interest, if any, to the redemption date, as specified in the applicable prospectus supplement. If a partial redemption of the trust preferred securities resulting from a partial redemption of the subordinated trust debt securities held by a trust would result in the delisting of the trust preferred securities of such trust, we may only redeem such subordinated trust debt securities held by such trust in whole. In addition, if a change in tax or securities laws occurs that adversely affects specified tax or securities characteristics of the trust, upon not less than 30 or more than 60 days' notice, within 90 days after the occurrence of such event and subject to the terms and conditions of the subordinated indenture, we may redeem such subordinated trust debt securities, in whole, at a price equal to 100% of the principal amount to be redeemed plus any accrued but unpaid interest, including additional interest, if any, to the redemption date. In the event of redemption of such subordinated trust debt securities in part only, we will issue new subordinated trust debt securities for the unredeemed portion in the name or names of the holders who surrender their unredeemed subordinated trust debt securities.

***Interest***

Each subordinated trust debt security will bear interest at the rate set forth in the applicable prospectus supplement from the original date of issuance, payable quarterly in arrears on the interest payment dates which will be specified in the prospectus supplement, to the person in whose name such subordinated trust debt security is registered, subject to specified exceptions, on the record date specified in the applicable prospectus supplement.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the subordinated debt securities is not a business day, then we will pay the interest payable on such date on the next succeeding day which is a business day, and without any interest or other payment in respect of any such delay, except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date.

***Option To Extend Interest Payment Period***

Except to the extent set forth in the applicable prospectus supplement, we will have the right at any time to defer payments of interest on subordinated trust debt securities by extending the interest payment period for up to 20 consecutive quarters. At the end of such an extension period, we will pay all interest then accrued and unpaid, including any additional interest, together with interest thereon at the rate specified and to the extent permitted by applicable law. We will covenant in the applicable indenture for the benefit of the holders of a series of subordinated trust debt securities, that, subject to the next succeeding sentence:

we will not declare or pay any dividend on, or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock; and

**Table of Contents**

we will not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the trust guarantee) issued by us which rank junior to the applicable series of subordinated trust debt securities:

if at such time we will have given notice of our election to extend an interest payment period for a series of subordinated trust debt securities and such extension shall be continuing, or

if at such time an event of default with respect to a series of subordinated trust debt securities will have occurred and be continuing.

The preceding sentence, however, shall not restrict:

any of the actions described in the preceding sentence resulting from any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock;

repurchases, redemptions or other acquisitions of shares of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers or directors or a stock purchase and dividend reinvestment plan;

dividends or distributions in our capital stock; or

the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

Prior to the termination of any such extension period for a series of subordinated trust debt securities, we may further defer payments of interest on such subordinated trust debt securities, by extending the interest payment period, provided that such extension period together with all such previous and further extensions thereof for such series of subordinated trust debt securities may not exceed 20 consecutive quarters or extend beyond the maturity of such series of subordinated trust debt securities.

Upon the termination of any extension period for a series of subordinated trust debt securities, and the payment of all accrued and unpaid interest on the subordinated trust debt securities then due, we may select a new extension period for such series of subordinated trust debt securities, as if no extension period had previously been declared, subject to the above requirements. We will not be required to pay interest on a series of subordinated trust debt securities during an extension period until the end thereof.

If the property trustee is the sole holder of the subordinated trust debt securities, we will give the administrative trustees and the property trustee notice of our selection of such extension period for such series of subordinated trust debt securities one business day prior to the earlier of (1) the next succeeding date on which distributions on the related trust preferred securities are payable or (2) the date a trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of such trust preferred securities on the record date or the date such distribution is payable, but in any event not less than one business day prior to such record date. The administrative trustees shall give notice of our selection of such extension period to the holders of such trust preferred securities. If the property trustee is not the sole holder of a series of subordinated trust debt securities, we will give the holders of such subordinated trust debt securities notice of our selection of such extension period ten business days prior to the earlier of (1) the interest payment date or (2) the date we are required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of such subordinated trust debt securities, but in any event at least two business days before such record date.

We have no present intention to defer interest payments.

***Additional Interest***

If a trust is required to pay any taxes, duties, assessments or other governmental charges, other than withholding taxes, imposed by the United States, or any other taxing authority, we will pay as additional interest such additional amounts as shall be required so that the net amounts received and retained by a trust



**Table of Contents**

after paying any such charges will be equal to the amount such trust would have received had no such charge been imposed.

***Events of Default Under Applicable Indenture***

We will define an event of default with respect to any series of subordinated trust debt securities in the indenture or applicable supplemental indenture. An event of default may include:

our default in payment of the principal of or premium, if any, on any of the subordinated trust debt securities of such series;

default for 30 days in payment of any installment of interest, including additional interest, on any subordinated trust debt security of such series beyond a valid extension;

default by us for 60 days after notice in the observance or performance of any other covenants in the indenture or applicable supplemental indenture relating to such series; and

voluntary or involuntary dissolution, winding up, termination, bankruptcy, insolvency or reorganization of a trust, except in connection with:

the distribution of subordinated trust debt securities to holders of trust securities in liquidation of a trust,

the redemption of all outstanding trust securities of such trust, or

mergers or consolidations permitted by the trust agreement.

The holders of not less than a majority in aggregate principal amount of subordinated trust debt securities may waive any past default, except (1) a default in payment of principal, premium, interest or additional interest, unless such default has been cured and a sum sufficient to pay all installments due otherwise than by acceleration has been deposited with the subordinated debt security trustee, or (2) a default in a covenant or provision which under the applicable indenture may not be modified or amended without the consent of each holder of a subordinated trust debt security. The holders of trust preferred securities in certain circumstances have the right to direct the property trustee to exercise its rights as holder of subordinated debt securities.

***Payment and Paying Agents***

Payment of principal and premium, if any, on subordinated trust debt securities will be made only if the holder of subordinated trust debt securities surrenders them to the paying agent of the subordinated trust debt securities.

Principal of and any premium and interest, if any, on subordinated trust debt securities will be payable, subject to any applicable laws and regulations, at the office of such paying agent or paying agents as we may designate from time to time pursuant to the subordinated trust debt security indenture. Payment of interest on the subordinated trust debt securities on any interest payment date will be made to the person in whose name the subordinated trust debt security is registered at the close of business on the regular record date for such interest payment.

The indenture trustee will act as paying agent with respect to the subordinated trust debt securities. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent at the place of payment.

***Consolidation, Merger and Sale***

The applicable indenture will provide that we will be permitted to consolidate with, or sell or convey all or substantially all of our assets to, or merge with or into, any other entity provided that:

either we shall be the continuing entity, or the successor entity formed by or resulting from any such consolidation or merger or which shall have received the transfer of such assets shall expressly assume

## **Table of Contents**

our obligations under the trust guarantee and the payment of the principal of, and premium, if any, and interest on all of the subordinated trust debt securities and the due and punctual performance and observance of all of the covenants and conditions contained in the applicable indenture;

immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of ours or any subsidiary as a result thereof as having been incurred by us or such subsidiary at the time of such transaction, no event of default under the applicable indenture or the trust guarantee, and no event which, after notice or the lapse of time, or both, would become such an event of default, shall have occurred and be continuing; and

an officer's certificate and legal opinion covering such conditions shall be delivered to the indenture trustee.

The indenture will not otherwise contain any covenant which restricts our ability to merge or consolidate with or into any other person, sell or convey all or substantially all of our assets to any person or otherwise engage in restructuring transactions.

### ***Information Concerning Indenture Trustee for the Subordinated Trust Debt Securities***

The indenture trustee for the subordinated trust debt securities, prior to default and after the curing of all defaults, if any, will undertake to perform only such duties as will be specifically set forth in the applicable indenture and, after a default that has not been cured or waived, will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the indenture trustee will be under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of subordinated trust debt securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. However, the foregoing will not relieve the indenture trustee, upon the occurrence of an indenture event of default, from exercising the rights and powers vested in it by the indenture. The indenture trustee will not be required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the indenture trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

### **Miscellaneous**

We will have the right at all times to assign any of our rights or obligations under the indenture to a direct or indirect wholly-owned subsidiary of ours. However, in the event of any such assignment, we will remain liable for all of such obligations under the indenture. Subject to the foregoing, the indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. The indenture will provide that it may not otherwise be assigned by the parties thereto.

### **Effect of Obligations under Subordinated Trust Debt Securities and Trust Guarantee**

As long as payments are made when due on subordinated trust debt securities, the trust will have sufficient funds to be able to make all appropriate payments on trust securities. This is primarily because:

the aggregate principal amount of the subordinated debt securities will be equal to the sum of the aggregate stated liquidation amount of such trust securities;

the interest rate and interest and other payment dates on the subordinated trust debt securities will match the distribution rate and distribution and other payment dates for the trust securities;

we will pay for all costs and expenses of each trust; and

the trust agreement will provide that the trustees may not cause or permit the trust to, among other things, engage in any activity that is not consistent with the purposes of the trust.

We will guarantee payments of distributions and other payments due on the trust preferred securities, to the extent funds are available therefor and to the extent set forth under Description of Trust Guarantees. If we do not make interest payments on subordinated trust debt securities, it is expected that the trust will not



**Table of Contents**

have sufficient funds to pay distributions on its trust preferred securities. The trust guarantee is a full and unconditional guarantee, but does not apply to any payment unless the trust has sufficient funds for such payment.

If we fail to make payments on subordinated trust debt securities when due, taking into account any extension period, the trust agreement will provide a mechanism whereby holders of trust preferred securities may direct the property trustee to enforce its rights, including proceeding directly against us. If the property trustee fails to enforce its rights, a holder of trust preferred securities may sue us directly to enforce those rights, without first instituting legal proceedings against the trust, the property trustee or any other person or entity.

If we fail to make payments under the trust guarantee, the trust guarantee provides a mechanism whereby the holders of trust preferred securities may direct the trust guarantee trustee to enforce its rights. If the trust guarantee trustee fails to enforce its rights, any holder of trust preferred securities may institute a legal proceeding against us directly to enforce those rights without first instituting legal proceedings against the trust, the trust guarantee trustee or any other person or entity.

Pursuant to an agreement as to expenses and liabilities to be entered into by us under the trust agreement, we will irrevocably and unconditionally guarantee to each person or entity to whom the trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of the trust other than obligations of the trust to pay to the holders of the related trust securities or other similar interests in the trust the amounts due such holders pursuant to the terms of such trust securities or such other similar interests, as the case may be.

The above mechanisms and obligations, taken together, are equivalent to a full and unconditional guarantee by us of payments due on trust preferred securities to the extent of funds available to the trust.

**PLAN OF DISTRIBUTION**

Any of the securities being offered by this prospectus may be sold:

through agents;

to or through underwriters;

through dealers;

directly by us to purchasers; or

through a combination of any such methods of sale.

The securities may be sold at a fixed price or prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The distribution of securities may be effected from time to time in one or more transactions by means of one or more of the following transactions, which may include cross or block trades:

exchange offers or other transactions on the New York Stock Exchange or any other organized market where the securities may be traded;

in the over-the-counter market;

in negotiated transactions;

through put or call option transactions relating to the securities;

under delayed delivery contracts or other contractual commitments; or

a combination of such methods of sale.

Agents designated by us from time to time may solicit offers to purchase the securities. We will name any such agent involved in the offer or sale of the securities and set forth any commissions payable by us to such agent in the

prospectus supplement. Unless otherwise indicated in the prospectus supplement, any such agent

32

---



## **Table of Contents**

will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities.

If underwriters are used in the sale of securities, securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions. Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. If an underwriter or underwriters are used in the sale of securities, we will execute an underwriting agreement with such underwriter or underwriters at the time an agreement for such sale is reached. We will set forth in the prospectus supplement the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including compensation of the underwriters and dealers. Such compensation may be in the form of discounts, concessions or commissions. Underwriters and others participating in any offering of securities may engage in transactions that stabilize, maintain or otherwise affect the price of such securities. We will describe any such activities in the prospectus supplement. We may elect to list any class or series of securities on any exchange, but we are not currently obligated to do so. It is possible that one or more underwriters, if any, may make a market in a class or series of securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance as to the liquidity of the trading market for any of the securities we may offer.

If a dealer is used in the sale of the securities, we or an underwriter will sell such securities to the dealer, as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. The prospectus supplement may set forth the name of the dealer and the terms of the transactions.

We may directly solicit offers to purchase the securities, and we may sell directly to institutional investors or others. These persons may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. The prospectus supplement will describe the terms of any such sales, including the terms of any bidding, auction or other process, if utilized.

Agents, underwriters and dealers may be entitled under agreements which may be entered into with us to indemnification by us against specified liabilities, including liabilities under the Securities Act, or to contribution by us to payments they may be required to make in respect of such liabilities. The prospectus supplement will describe the terms and conditions of such indemnification or contribution. Some of the agents, underwriters or dealers, or their affiliates may be customers of ours, or engage in transactions with or perform services for us and our subsidiaries in the ordinary course of business.

### **LEGAL MATTERS**

Gibson, Dunn & Crutcher LLP, Dallas, Texas, has rendered an opinion with respect to the validity of the securities being offered by this prospectus, other than with respect to trust preferred securities. We have filed the opinion as an exhibit to the registration statement of which this prospectus is a part. Morris, Nichols, Arsht & Tunnell, Wilmington, Delaware, has rendered an opinion with respect to the validity of the trust preferred securities being offered by this prospectus. We have filed the opinion as an exhibit to the registration statement of which this prospectus is a part. If counsel for any underwriters passes on legal matters in connection with an offering made by this prospectus, we will name that counsel in the prospectus supplement relating to that offering.

### **EXPERTS**

The consolidated financial statements of D.R. Horton, Inc. appearing in its Current Report on Form 8-K dated August 11, 2005 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**Table of Contents****WHERE YOU CAN FIND MORE INFORMATION**

D.R. Horton, Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330.

The SEC also maintains an internet world wide web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. We, the trusts, and our guarantor subsidiaries have filed jointly with the SEC a registration statement on Form S-3 that registers the securities we are offering. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us, the trusts, our guarantor subsidiaries and the securities offered. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this prospectus.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference information into this 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, except for any information that is superseded by information that is included directly in this or another document.

This prospectus includes by reference the documents listed below that we have previously filed with the SEC and that are not included in or delivered with this document. They contain important information about our business, prospects and financial condition.

<b>Filing</b>	<b>Period or Filing Date</b>
Annual Report on Form 10-K	Year ended September 30, 2004
Quarterly Reports on Form 10-Q	Quarter ended December 31, 2004
	Quarter ended March 31, 2005
	Quarter ended June 30, 2005
Current Reports on Form 8-K	October 14, 2004
	December 14, 2004
	February 10, 2005
	April 13, 2005
	April 22, 2005
	June 3, 2005
	June 29, 2005
	July 6, 2005
	August 11, 2005
	August 11, 2005

Pages 3 through 6 under the caption Election of Directors, pages 21 and 22 under the caption Beneficial Ownership of Common Stock, pages 22 through 26 under the caption Executive Compensation, through the caption Compensation Committee Interlocks and Insider Participation, page 33 under the caption Independent Public Auditors Audit Fees and All Other Fees, and page 34 under the caption Section 16(a) Beneficial Ownership Reporting Compliance, contained in our proxy statement relating to our January 27, 2005 annual meeting of stockholders and incorporated into our annual report on Form 10-K.

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 and the date of the closing of each offering. These additional documents include periodic reports, such as annual



**Table of Contents**

reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (other than information furnished under Items 2.02 and 7.01, which is deemed not to be incorporated by reference in this prospectus), as well as proxy statements (other than information identified in them as not incorporated by reference). 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. 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 closing of each offering will automatically update and supersede previous information included or incorporated by reference in this prospectus.

You can obtain any of the documents incorporated by reference in this prospectus from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in this prospectus. You can obtain documents incorporated by reference in this 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

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, that contained in this prospectus or in any of the materials that we have incorporated by reference into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then any offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document, unless the information specifically indicates that another date applies.

**Table of Contents**

**\$500,000,000**

D.R. Horton, Inc.

**\$ % Senior Notes due 2011**

**\$ % Senior Notes due 2016**

**PROSPECTUS SUPPLEMENT**

**April , 2006**

**Banc of America Securities LLC**

**UBS Investment Bank**

**Wachovia Securities**