MERITAGE CORP
Form S-4
October 23, 2003

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As filed with Securities and Exchange Commission on October 23, 2003
Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form S-4

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Meritage Corporation

Co-registrants are listed on the following page

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**1531**	**86-0611231**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

8501 East Princess Drive, Suite 290

Scottsdale, Arizona 85255
(480) 609-3330
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant s Principal Executive Offices)

Larry W. Seay
Chief Financial Officer and
Vice President Finance
8501 East Princess Drive, Suite 290
Scottsdale, Arizona 85255
(480) 609-3330
(Name, Address, Including Zip Code,
and Telephone Number,
Including Area Code, of Agent for Service)

Copies to:
Steven D. Pidgeon
Jeffrey E. Beck
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004
(602) 382-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the exchange offer pursuant to the registration rights agreement described in the enclosed prospectus have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title Of Each Class of Securities to be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount Of Registration Fee
Senior Notes due 2011	$75,000,000	109%	$81,750,000	$6,613.58
Guarantees of 9.75% Senior Notes due 2011	$75,000,000	(2)	(2)	(2)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933.
(2) In accordance with Rule 457(m), no separate fee for the registration of the guarantees is required.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Table of Co-Registrants(1)

Name of Each Co-Registrant as Specified in Its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Monterey Homes Arizona, Inc.	Arizona	86-0861526
Meritage Paseo Crossing, LLC	Arizona	86-1006497
Monterey Homes Construction, Inc.	Arizona	86-0863537
Meritage Paseo Construction, LLC	Arizona	86-0863537
Meritage Homes of Arizona, Inc.	Arizona	86-1013006
Meritage Homes Construction, Inc.	Arizona	86-1021464
MTH-Texas GP, Inc.	Arizona	86-0875148
MTH-Texas LP, Inc.	Arizona	86-0875147
Legacy/ Monterey Homes L.P.	Arizona	91-1832213
Meritage Homes of Northern California, Inc.	California	86-0917765
Hancock-MTH Builders, Inc.	Arizona	86-1028847
Hancock-MTH Communities, Inc.	Arizona	86-1028848
Legacy Operating Company, L.P.	Texas	75-2929259
MTH-Texas GP II, Inc.	Arizona	04-3685852
MTH-Texas LP II, Inc.	Arizona	01-0716144
MTH-Homes Nevada, Inc.	Arizona	43-1976353
Meritage Holdings, L.L.C.	Texas	91-1832213
Hulen Park Venture, LLC	Texas	75-2771799
MTH Homes-Texas, L.P.	Texas	02-0618083
MTH-Cavalier, LLC	Arizona	86-0863537
MTH Golf, LLC	Arizona	56-2379206
Legacy-Hammonds Materials, L.P.	Texas	20-0145900

(1) The address, including zip code, and telephone number, including area code, of each co-registrant is 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, (480) 609-3330.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is 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 Nos. 333-105043,
333-105043-01,
333-105043-02,
333-105043-03,
333-105043-04,
333-105043-05,
333-105043-06,
333-105043-07,
333-105043-08,
333-105043-09,
333-105043-10,
333-105043-11,
333-105043-12,
333-105043-13,
333-105043-14,
333-105043-15,
333-105043-16,
333-105043-17,
333-105043-18,
333-105043-19,
and 333-105043-20

SUBJECT TO COMPLETION, DATED OCTOBER 23, 2003

PROSPECTUS

OFFER TO EXCHANGE

$75,000,000
Meritage Corporation
9.75% Senior Notes due 2011
which have been registered under the Securities Act of 1933 and
guaranteed fully and unconditionally by all of our existing
subsidiaries (other than our two mortgage broker subsidiaries)
for any and all of the outstanding Meritage Corporation
unregistered 9.75% Senior Notes due 2011

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,

NEW YORK CITY TIME, ON , 2003, UNLESS EXTENDED.

We are offering to exchange up to $75 million of our 9.75% senior notes due 2011 (the exchange notes), which have been registered under the Securities Act of 1933, as amended, for the identical principal amount of our outstanding unregistered 9.75% senior notes due 2011 (the outstanding notes). The aggregate principal amount at maturity of the outstanding notes, and therefore, the principal amount at maturity of exchange notes which would be issued if all the outstanding notes were exchanged, is $75 million. The terms of the exchange notes will be identical with the terms of the outstanding notes, except that the issuance of the exchange notes is being registered under the Securities Act of 1933, and therefore the exchange notes will not be subject to the restrictions on transfer which apply to the outstanding notes.

Prior to the exchange offer, there has been no public market for the exchange notes. We do not currently intend to list the exchange notes on a securities exchange or seek approval for quotation of the exchange notes on an automated quotation system. Therefore, it is unlikely that an active trading market for the exchange notes will develop.

The exchange agent for the exchange offer is Wells Fargo Bank, National Association.

See Risk Factors, which begin on page 13, for a discussion of certain factors that should be considered in evaluating the exchange offer.

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

The date of this prospectus is , 2003.

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ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. You may request a copy of this information, at no cost, by calling us or by writing to us at our principal executive offices in Arizona at the following address: Meritage Corporation, 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, Attention: Investor Relations. Our telephone number is (480) 609-3330. **In order to obtain timely delivery, you must make your request no later than five business days before the expiration of the exchange offer**. The exchange offer will expire on , 2003, unless extended.

Our obligations under the Exchange Act to file periodic reports and other information with the SEC may be suspended, under certain circumstances, if our common stock and exchange notes are each hold of record by fewer than 300 holders at the beginning of any fiscal year and are not listed on a national securities exchange. We have agreed that, whether or not we are required to do so by the rules and regulations of the SEC, for so long as any of the exchange notes remain outstanding we will furnish to the holders of the exchange notes, and if required by the Exchange Act, file with the SEC, all annual, quarterly and current reports that we are or would be required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. In addition, we have agreed that, as long as any of the outstanding notes remain outstanding, we will make the information required by Rule 144A(d)(4) under the Securities Act available to any prospective purchaser of outstanding notes or beneficial owner of outstanding notes in connection with a sale of them.

No person has been authorized to give any information or to make any representations, other than those contained in this prospectus. If given or made, that information or those representations may not be relied upon as having been authorized by us. This prospectus does not constitute an offer to or solicitation of any person in any jurisdiction in which such an offer or solicitation would be unlawful.

MARKET DATA

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above.

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PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and may not contain all of the information that is important to you. This summary is not complete and does not contain all of the information you should consider before investing in the notes. For a more complete understanding of this exchange offer, we encourage you to read this entire document (including the documents incorporated herein by reference) and the documents to which we have referred you. Unless otherwise indicated in this offering memorandum, the terms Meritage, the Company , we , our and us refer to Meritage Corporation and its subsidiaries and predecessors as a combined entity. results for the six months ended June 30, 2003 and all EBITDA, operating data and other operating ratios are unaudited.

The Company

We are a leading designer and builder of single-family homes in the rapidly growing Sunbelt states of Texas, Arizona, California and Nevada based on the number of home closings. We focus on providing a broad range of first-time, move-up and luxury homes to our targeted customer base. We and our predecessors have operated in Arizona since 1985, in Texas since 1987, in Northern California since 1989 and in Nevada since 1993.

We believe that the relatively strong population, job and income growth as well as the favorable migration characteristics of our markets will continue to provide significant growth opportunities for us. According to U.S. Housing Markets, a leading real estate and homebuilding publication of the Meyers Group, six of our nine markets, Dallas/ Ft. Worth and Houston, Texas, Phoenix/ Scottsdale, Arizona, Sacramento and East San Francisco Bay (East Bay), California and Las Vegas, Nevada, are among or part of the top 20 national housing markets based on annual housing permits issued in 2002, with Dallas/ Ft. Worth, Houston and Phoenix/ Scottsdale comprising three of the top six single-family housing markets. The other three markets that we operate in are Austin and San Antonio, Texas and Tucson, Arizona.

At June 30, 2003, we were actively selling homes in 137 communities, with base prices ranging from $94,000 to $910,000. We develop a design and marketing concept tailored to each community, which includes determination of the size, style and price range of homes, street layout, size and layout of individual lots and overall community design. The home designs offered in a particular community also depend upon such factors as the housing generally available in the area, the consumer demands of a particular market and our lot costs for the project.

In general, we focus on minimizing land risk by purchasing property only after full entitlements have been obtained and typically begin development or construction immediately after close. We acquire land primarily through rolling option contracts, allowing us to purchase individual lots as our building needs dictate. These arrangements allow us to control lot inventory typically on a non-recourse basis without incurring the risks of land ownership or financial commitments other than relatively small non-refundable deposits. At June 30, 2003, we owned or had options to acquire approximately 28,500 housing lots, of which more than eighty percent were under rolling option and land purchase contracts. We believe that the lots we own or have the right to acquire represent approximately a five year supply.

Issuance of the Outstanding Notes

The outstanding $75 million principal amount senior notes due 2011 were sold by us to UBS Securities LLC, Deutsche Bank Securities Inc., Banc One Capital Markets, Inc. and Fleet Securities, Inc., as initial purchasers, on September 25, 2003 pursuant to a purchase agreement dated September 18, 2003, as amended on September 24, 2003, between the initial purchasers and us. The initial purchasers subsequently resold the outstanding notes in reliance on Rule 144A and Regulation S under the Securities Act. We and the initial purchasers also entered into a registration rights agreement pursuant to which we agreed to offer to exchange the exchange notes registered under the Securities Act for the outstanding notes and also granted holders of outstanding notes rights under some circumstances to have resales of outstanding notes registered under the Securities Act. The exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. See The Exchange Offer Purposes and Effects.

The outstanding notes were issued under an indenture dated as of May 30, 2001, between Meritage Corporation, its subsidiary guarantors and Wells Fargo Bank, National Association, as trustee. The exchange notes also are being issued under the indenture and are entitled to the benefits of the indenture. The form and terms of the exchange notes will be identical in all material respects with the form and terms of the outstanding notes, except that (1) the exchange notes will have been registered under the Securities Act and, therefore, will not bear legends describing restrictions on transferring them, and (2) holders of exchange notes will not be, and upon the completion of the exchange offer, holders of outstanding notes will no longer be, entitled to certain rights under the registration rights agreement intended for the holders of unregistered securities. The exchange offer will be deemed completed upon the delivery by us to the exchange agent under the indenture of exchange notes in the same aggregate principal amount as the aggregate principal amount of outstanding notes that are validly tendered and not withdrawn by holders of them in response to the exchange offer. See The Exchange Offer Termination of Certain Rights and Procedures for Tendering and Description of the Exchange Notes.

The proceeds we received from the issuance of the outstanding notes were used to repay a portion of our senior unsecured credit facility. We will receive no proceeds from completion of the exchange offer.

Our principal executive office in Arizona is located at 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, and our telephone number there is (480) 609-3330. Our principal executive office in Texas is located at 4050 West Park Boulevard, Plano, Texas 75093, and our telephone number there is (800) 210-6004. Information about our company and communities is provided through our website www.meritagehomes.com. Information on this website is not incorporated by reference in or otherwise part of this prospectus.

The Exchange Offer

The Exchange Offer	We are offering to exchange \$75 million of our 9.75% senior registered notes due 2011 for identical principal amounts of our outstanding unregistered 9.75% senior notes due 2011. At the date of this prospectus, \$75 million principal amount at maturity of outstanding notes are outstanding. See The Exchange Offer Terms of the Exchange Offer.
Expiration of the Exchange Offer	5:00 p.m., New York, time, on , 2003, unless the exchange offer is extended (the day on which the exchange offer expires being the expiration date). See The Exchange Offer Expiration Date; Extension; Termination; Amendments.
Conditions of the Exchange Offer	The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered for exchange. However, the exchange offer is subject to certain customary conditions, which we may waive. See The Exchange Offer Conditions of the Exchange Offer.
Accrued Interest on the Outstanding Notes	The exchange notes will bear interest at the rate of 9.75% per annum from and including their date of issuance. When the first interest payment is made with regard to the exchange notes, we will also pay interest on the outstanding notes which are exchanged, from the date they were issued or the most recent interest date on which interest had been paid (if applicable) to, but not including, the day the exchange notes are issued. Interest

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	on the outstanding notes which are exchanged will cease to accrue on the day prior to the day on which the exchange notes are issued. The interest rate on the outstanding notes may increase under certain circumstances if we are not in compliance with our obligations under the registration rights agreement. See Description of the Exchange Notes.
Procedures for Tendering the Outstanding Notes	A holder of outstanding notes who wishes to accept the exchange offer must complete, sign and date a letter of transmittal, or a facsimile of one, in accordance with the instructions contained under the The Exchange Offer Procedures for Tendering and in the letter of transmittal, and deliver the letter of transmittal, or facsimile, together with the outstanding notes and any other required documentation to the exchange agent at the address set forth in The Exchange Offer Exchange Agent. Outstanding notes may be delivered physically or by confirmation of book-entry delivery of the outstanding notes to the exchange agent s account at The Depository Trust Company. By executing a letter of transmittal, a holder will represent to us that, among other things, the person acquiring the outstanding notes will be doing so in the ordinary course of the person s business, whether or not the person is the holder, that neither the holder nor any other person is engaged in, or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of the exchange notes and that neither the holder nor any such other person is an affiliate, as defined under Rule 405 of the Securities Act, of ours. Each broker or dealer that receives exchange notes for its own account in exchange for outstanding notes which were acquired by the broker or dealer as a result of market-making activities or other trade activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See The Exchange Offer Procedures for Tendering.
Guaranteed Delivery Procedures	Eligible holders of outstanding notes who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available or (2) who cannot deliver their outstanding notes or any other documents required by the letter of transmittal to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their outstanding notes according to the guaranteed delivery procedures described in the letter of transmittal. See The Exchange Offer Guaranteed Delivery Procedures.
Acceptance of the Outstanding Notes and Delivery of the Exchange Notes	Upon satisfaction or waiver of all conditions to the exchange offer, we will accept any and all outstanding notes that are properly tendered in response to the exchange offer prior to 5:00 p.m., New York Time, on the expiration date. The exchange notes issued pursuant to the exchange offer will be delivered promptly after expiration of the exchange offer. See The Exchange Offer Procedures for Tendering.

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Withdrawal Rights	Tenders of outstanding notes may be withdrawn at any time prior to 5:00 p.m., New York Time, on the expiration date. See The Exchange Offer Withdrawal of Tenders.
The Exchange Agent	Wells Fargo Bank, National Association is the exchange agent. The address and telephone number of the exchange agent are set forth in The Exchange Offer Exchange Agent.
Fees and Expenses	We will bear all expenses incident to our consummation of the exchange offer and compliance with the registration rights agreement. We will also pay any transfer taxes which are applicable to the exchange offer (but not transfer taxes due to transfers of outstanding notes or exchange notes by the holder). See The Exchange Offer Fees and Expenses.
Resales of the Exchange Notes	Based on interpretations by the staff of the SEC set forth in no-action letters issued to persons unrelated to us, we believe exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by the holder (other than (1) a broker-dealer who purchased the outstanding notes directly from us for resale pursuant to Rule 144A under the Securities Act or another exemption under the Securities Act or (2) a person that is an affiliate of ours, as that term is defined in Rule 405 under the Securities Act), without registration or the need to deliver a prospectus under the Securities Act, provided that the holder is acquiring the exchange notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes which outstanding notes were acquired by the broker as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See The Exchange Offer Purposes and Effects.
Federal Income Tax Consequences	The exchange offer will not be treated as a taxable event for United States federal income tax purposes. See Certain United States Federal Income Tax Considerations.

The Exchange Notes

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the indenture under which both the outstanding notes were, and the exchange notes will be, issued. The following summary is not intended to be complete. For a more detailed description of the notes, see Description of the Exchange Notes.

Issuer	Meritage Corporation.
Securities Offered	$75 million aggregate principal amount of 9.75% Senior Notes due 2011 that have been registered under the Securities Act. The form and term of the exchange notes are identical in all material respects to the form and terms of the outstanding notes for which they may be exchanged pursuant to the exchange offer, except for certain transfer restrictions and registration

	rights relating to the outstanding notes and except for certain provisions providing for an increase in the interest rate on the outstanding notes under circumstances relating to the exchange offer. On May 30, 2001, we issued $165 million aggregate principal amount of our 9.75% Senior Notes due 2011 and on February 21, 2003 we issued $50 million aggregate principal amount of the same series (collectively, the initial notes), $10 million of which have been repurchased by us. The exchange notes offered by this prospectus are part of the same series of debt securities under the indenture governing the initial notes that we issued on May 30, 2001 and February 21, 2003. As of the date of this prospectus, we have $280 million aggregate principal amount of our 9.75% Senior Notes due 2011 outstanding. Unless the context otherwise requires, the outstanding notes, the exchange notes and the initial notes are sometimes referred to in this prospectus as the notes.
Maturity Date	June 1, 2011.
Interest	The exchange notes will accrue interest from December 1, 2003 at the rate of 9.75% per year. Interest on the exchange notes will be payable semi-annually in arrears on each June 1 and December 1 commencing on June 1, 2004.
	In connection with the issuance of the outstanding notes on September 25, 2003, we and the guarantors agreed to:
	file a registration statement to enable holders of the outstanding notes to exchange the outstanding notes for registered notes within 75 days of the original issue date of the outstanding notes, or by December 9, 2003;
	use our respective reasonable best efforts to cause the registration statement to become effective under the Securities Act within 150 days following the original issue date of the outstanding notes, or by February 22, 2004; and
	use our respective reasonable best efforts to complete the exchange offer within 180 days after the original issue date of the outstanding notes, or by March 23, 2004, but not on or before December 1, 2003.
	If we do not comply with these obligations (a registration default), we will be required to pay liquidated damages to the holders of the outstanding notes in the form of higher interest rates. Upon the occurrence of a registration default, the interest rate borne by the notes will be increased by 0.25% per annum and will continue to increase by 0.25% each 90 day period that the liquidated damages continue to accrue, up to a maximum of 1.00% per annum. After the cure of registration defaults, the accrual of liquidated damages will stop and the interest rate will revert to the original rate.
Sinking Fund	None.
Optional Redemption	We may redeem the notes, in whole or in part, at any time on or after June 1, 2006, at a redemption price equal to the principal

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	amount plus a premium declining ratably to par, plus accrued interest.
	In addition, at any time prior to June 1, 2004, we may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price equal to 109.750% of the principal amount thereof, plus accrued interest, *provided* that:
	at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after the occurrence of such redemption; and
	such redemption occurs within 90 days of the date of the closing of any such equity offering.
Change of Control	If we experience a change of control, we may be required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued interest.
Ranking and Guarantees	The outstanding notes are, and the exchange notes will be, our senior unsecured obligations. All of our existing subsidiaries (other than our two mortgage broker subsidiaries) and certain of our future subsidiaries will guarantee the exchange notes on a senior unsecured basis.
	The notes will rank equally with all of our and our guarantors existing and future senior unsecured debt.
	The exchange notes will rank senior to all of our and our guarantors debt that is expressly subordinated to the exchange notes, but will be effectively subordinated to all of our and our guarantors senior secured indebtedness to the extent of the value of the assets securing that indebtedness.
Consolidated Tangible Net Worth	If our consolidated tangible net worth falls below $60.0 million for any two consecutive fiscal quarters, we will be required to make an offer to purchase up to 10% of the notes then outstanding at a purchase price equal to 100% of the principal amount, plus accrued interest.
Restrictive Covenants	The indenture governing the notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:
	incur additional indebtedness or liens;
	pay dividends or make other distributions or repurchase or redeem our stock;
	make investments;
	sell assets;
	enter into agreements restricting our subsidiaries ability to pay dividends;

	enter into transactions with affiliates; and
	consolidate, merge or sell all or substantially all of our assets.
	These covenants are subject to important exceptions and qualifications, which are described under the heading Description of the Exchange Notes in this prospectus.
Absence of a Public Market	The exchange notes will be a new issue of securities and there is currently no established market for them. The exchange notes, when issued, will generally be freely transferable (subject to restrictions discussed elsewhere herein) but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the outstanding notes or, when issued, the exchange notes. The outstanding notes are eligible for trading in The PORTAL Market.
Use of Proceeds	We will receive no proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer. The net proceeds we received from the outstanding notes were used to repay a portion of our senior unsecured credit facility.
Trustee	Wells Fargo Bank, National Association.

Risk Factors

You should consider carefully the information set forth in the section of this prospectus entitled Risk Factors beginning on page 13 and all the other information provided to you in this prospectus in deciding whether to invest in the notes.

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Summary Historical Financial Information

The financial information below should be read in conjunction with the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by us with the SEC, which we have incorporated herein by reference. The data below includes the operations of Hancock Communities since its date of acquisition, effective June 1, 2001, Hammonds Homes since its date of acquisition, effective July 1, 2002 and Perma-Bilt Homes since its date of acquisition, effective October 1, 2002.

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
				(Unaudited)	
			(Dollars in thousands)		
Statement of Earnings Data:					
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 617,243	$ 421,172
Total cost of sales	(904,921)	(586,914)	(415,649)	(494,284)	(339,220)
Gross profit	214,896	157,260	104,818	122,959	81,952
Other income, net	5,435	2,884	1,847	2,072	2,282
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(41,073)	(26,596)
General and administrative expenses(1)	(41,496)	(36,105)	(21,215)	(24,288)	(18,789)
Interest expense			(8)		
Earnings before income taxes	113,544	82,954	56,762	59,670	38,849
Income taxes(1)	(43,607)	(32,295)	(21,000)	(22,585)	(15,345)
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 37,085	$ 23,504
Other Data:					
Gross profit margin(6)	19.2%	21.1%	20.1%	19.9%	19.5%
Interest amortized to cost of sales and interest expense	$ 19,259	$ 13,303	$ 9,179	$ 8,860	$ 8,031
Depreciation and amortization	6,780	5,741	3,407	3,746	2,877
Interest incurred(2)	19,294	16,623	10,634	12,119	9,335
Net cash (used in) provided by operating activities	(5,836)	(17,137)	6,252	(70,967)	(42,326)
Net cash (used in) investing activities	(142,805)	(75,739)	(8,175)	(11,679)	(7,293)
Net cash provided by (used in) financing activities	151,858	91,862	(7,102)	102,601	60,717
EBITDA(3)(6)	139,583	101,998	69,348	72,276	49,757
EBITDA margin(4)(6)	12.5%	13.7%	13.3%	11.7%	11.8%
Ratio of EBITDA to interest incurred(6)	7.23x	6.14x	6.52x	n/a	n/a
Ratio of total debt to EBITDA(6)	1.90x	1.74x	1.24x	n/a	n/a
Ratio of earnings to fixed charges(5)(6)	5.82x	5.39x	5.80x	4.85x	4.37x

	At December 31, 2002	2001	2000	At June 30, 2003
	(Dollars in thousands			(Unaudited)
Balance Sheet Data:				
Cash and cash equivalents	$ 6,600	$ 3,383	$ 4,397	$ 26,555
Real estate	484,970	330,238	211,307	611,318
Consolidated real estate not owned(7)				31,067
Total assets	691,788	436,715	267,075	887,414
Total debt	264,927	177,561	86,152	371,875
Liabilities related to consolidated real estate not owned(7)				29,357
Stockholders equity	317,308	176,587	121,099	350,048

(1) 2001 earnings include a $382,651 loss related to the net effect of early extinguishments of long-term debt. Previously this amount, net of the tax effect of $149,234 was reported as an extraordinary item. We have reclassified this loss as general and administrative expense and income tax benefit, respectively, to conform to the requirements of SFAS 145, which was effective for fiscal years beginning after May 15, 2002.

(2) Interest incurred is the amount of interest paid and accrued (whether expensed or capitalized) during such period, including debt-related fees and amortization of deferred financing costs.

(3) EBITDA represents earnings before interest expense, interest amortized to cost of sales, income taxes, depreciation and amortization. EBITDA is presented here because it is a widely accepted financial indicator used by investors and analysts to analyze and compare homebuilding companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, is not necessarily an accurate means of comparison between companies. EBITDA is not intended to represent cash flows for the period or funds available for management s discretionary use nor has it been presented as an alternative to operating income or as an indicator of operating performance and it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America. The reconciliation of EBITDA to net earnings for each of the respective periods shown is as follows:

	Years Ended December 31, 2002	2001	2000	Six Months Ended June 30, 2003	2002
			(Unaudited) (Dollars in thousands)		
Net earnings	$69,937	$50,659	$35,762	$37,085	