SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9977

MONTEREY HOMES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	86-0611231 (I.R.S. Employer Identification No.)
6613 North Scottsdale Road, Suite 200 Scottsdale, Arizona (Address of Principal Executive Offices)	85250 (Zip Code)

(602) 998-8700
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes X No .

As of May 9, 1997; 4,580,611 shares of Monterey Homes Corporation common stock were outstanding.

MONTEREY HOMES CORPORATION
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1997
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SIGNATURES S.1

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	(Unaudited) March 31, 1997	December 31, 1996
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 6,964,580	$ 15,567,918
Short-term investments	319,732	4,696,495
Real estate loans and other receivables	2,304,066	2,623,502
Real estate under development (Notes 2 & 4)	46,003,850	35,991,142
Option deposits	1,690,991	546,000
Residual interests	3,817,410	3,909,090
Other assets	804,811	940,095
Deferred tax asset	6,783,000	6,783,000
Goodwill (Note 5)	1,741,444	1,763,488
	$ 70,429,884	$ 72,820,730
LIABILITIES		
Accounts payable and accrued liabilities	$ 6,468,167	$ 10,569,872
Home sale deposits	6,708,704	4,763,518
Notes payable (Note 3)	29,846,248	30,542,276
Total Liabilities	43,023,119	45,875,666
STOCKHOLDERS' EQUITY (Note 5)		
Common stock, par value $.01 per share; 50,000,000 shares authorized; issued and outstanding - 4,580,611 shares	45,806	45,806
Additional paid-in capital	92,817,021	92,643,658
Accumulated deficit	(65,045,779)	(65,334,117)
Treasury stock - 53,046 shares	(410,283)	(410,283)
Total Stockholders' Equity	27,406,765	26,945,064
	$ 70,429,884	$ 72,820,730

</TABLE>

See accompanying notes to consolidated financial statements.

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31, 1997	1996
REVENUES		
Home sales (Notes 1 and 5)	$12,572,837	$ --
Residual interest and real estate loan interest income	359,294	438,082
Other income	175,316	196,613
	13,107,447	634,695
COSTS AND EXPENSES		
Cost of home sales (Notes 1 and 5)	10,946,502	--
Commissions and other sales costs (Notes 1 and 5)	755,048	--

General, administrative and other	1,091,686	388,073
Interest	--	162,289
	12,793,236	550,362
Income before income tax expense	314,211	84,333
Income tax expense	25,873	--
Net Income	$ 288,338	$ 84,333
Earnings per share	$ 0.06	$ 0.03
Weighted average common shares outstanding	4,671,173	3,273,118

See accompanying notes to consolidated financial statements.

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1997	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 288,338	$ 84,333
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Increase in real estate under development	(10,012,708)	--
Depreciation and amortization	195,407	19,300
Amortization of residual interests	91,680	472,388
Increase in other assets	(895,999)	(179,023)
Decrease in accounts payable and accrued liabilities	(1,962,189)	(94,385)
Net cash provided by (used in) operating activities	(12,295,471)	302,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on real estate loans	384,000	498,330
Real estate loans funded	(178,272)	(50,000)
(Increase) decrease in short-term investments	4,376,763	(113,040)
Decrease in funds held by Trustee	--	388,813
Net cash provided by investing activities	4,582,491	724,103
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	4,797,651	--
Repayment of borrowings	(5,493,679)	(991,000)
Distributions to stockholders	(194,330)	(291,496)
Net cash used in financing activities	(890,358)	(1,282,496)
Net decrease in cash and cash equivalents	(8,603,338)	(255,780)
Cash and cash equivalents at beginning of period	15,567,918	3,347,243
Cash and cash equivalents at end of period	$ 6,964,580	$ 3,091,463

</TABLE>

See accompanying notes to consolidated financial statements.

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1997 and 1996

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Monterey Homes Corporation (previously Homeplex Mortgage Investments Corporation), the Company, commenced operations in July 1988. Prior to the Merger (see Note 5), the Company's main line of business was investing in mortgage certificates securing collateralized mortgage obligations (CMOs), interests relating to mortgage participation certificates (MPCs) (collectively residual interests) and loans secured by real estate.

Since January 1, 1997, the operation of the Company has focused on homebuilding, and the combined entities intend to continue with Monterey Homes' building operations as its main line of business. These operations are currently conducted primarily in the Phoenix, Scottsdale and Tucson, Arizona markets.

Basis of Presentation

The consolidated financial statements include the accounts of Monterey Homes Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to be consistent with current financial statement presentation. In the opinion of Management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

Upon consummation of the Merger a one-for-three reverse stock split of the Company's issued and outstanding common stock, $.01 par value per share, was effected. Except as otherwise indicated, the share information contained herein reflects the one-for-three reverse stock split.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT

The components of real estate under development at March 31, 1997 and December 31, 1996 are as follows:

	(Unaudited) March 31, 1997	December 31, 1996
Homes in production	$25,245,383	$22,839,500
Finished lots and lots under development	20,758,467	13,151,642
	$46,003,850	$35,991,142

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following at March 31, 1997 and December 31, 1996:

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<S>	(Unaudited) March 31, 1997 <C>	December 31, 1996 <C>
Construction line of credit to bank, interest payable monthly approximating prime (8.5% at March 31, 1997) plus .25%, payable at the earlier of close of escrow or maturity date of individual homes within the line or June 19, 2000	$10,458,076	$ 7,251,958

</TABLE>

<TABLE>
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Guidance line of credit to bank for acquisition and development interest payable monthly approximating prime plus .5%, payable at the earlier of funding of construction financing, the maturity date of individual projects within the line or June 19, 2000	7,276,638	9,628,993
Short-term credit facility to bank maturing in August 1997, annual interest of prime plus .5%, principal payments of $500,000 plus interest payable monthly with remaining principal and interest payable at maturity date	4,052,500	5,552,500

Senior subordinated notes payable, maturing October 15, 2001, annual interest of 13%, payable semi-annually, principal payable at maturity date with a put to the Company at June 30, 1998, unsecured	8,000,000	8,000,000
Other	59,034	108,825
Total	$29,846,248	$30,542,276

</TABLE>

A provision of the senior subordinated bond indenture provides the bondholders with the option, at June 30, 1998, to require the Company to buy back the bonds at 101% of face value. Approximately $2,800,000 of the bonds are held equally by the Co-Chief Executive Officers of the Company.

NOTE 4 - CAPITALIZED INTEREST

The Company capitalizes interest costs incurred on homes in production and lots under development. This capitalized interest is allocated to unsold lots, and included in cost of home sales in the accompanying statements of earnings when the units are delivered. The following tables summarize interest capitalized and interest expensed (dollars in thousands):

	Quarter Ended March 31,	
	1997	1996
Beginning unamortized capitalized interest	$ --	$ N/A
Interest capitalized	692	N/A
Amortized - cost of home sales	(93)	N/A
Ending unamortized capitalized interest	$ 599	N/A
Interest incurred	$ 692	$ 162
Interest capitalized	692	N/A
Interest expensed	$ --	$ 162

Had the Merger not occurred, interest capitalized by the Monterey Entities would have been $692,000 and $832,000 for the three months ended March 31, 1997 and 1996, respectively. Interest amortized through cost of home sales would have been $532,000 and $430,000 for the same periods, respectively.

NOTE 5 - HOMEPLEX / MONTEREY MERGER

On December 23, 1996, the stockholders of Homeplex Mortgage Investments Corporation, now known as Monterey Homes Corporation (the "Company"), approved the Merger (the "Merger") of Monterey Homes Construction II, Inc. and Monterey Homes Arizona II, Inc., both Arizona corporations (collectively, the "Monterey Entities" or "Monterey"), with and into the Company. The Merger was effective on December 31, 1996, and the Company will focus on homebuilding as its primary business. Also, ongoing operations of the Company will be managed by the two previous stockholders of Monterey, who at the time of the Merger, became Co-Chief Executive Officers with one serving as Chairman and the other as President. At consummation of the Merger, 1,288,726 new shares of common stock, $.01 par value per share, were issued equally to the Co-Chief Executive Officers.

Monterey, in connection with an $8,000,000 subordinated debt private placement that occurred during October 1994, issued warrants to the bondholders to purchase approximately 16.48% of Monterey. Accordingly, of the 1,288,726 shares issued in the Merger, 212,398 are held by the Company on behalf of the Co-Chief Executive Officers, to be delivered to the warrantholders upon payment of the warrant exercise price to the Co-Chief Executive Officers. Upon expiration of the warrants, any of the remaining 212,398 will be delivered to the Co-Chief Executive Officers.

In addition, up to 266,667 shares of contingent stock will be issued equally to the Co-Chief Executive Officers provided that certain stock trading price thresholds are met and that the Officer is still an employee of the Company at the time of issuance. The price thresholds are $5.25, $7.50 and

$10.50 for dates after the first, second and third anniversaries of the Merger, respectively, and the prices must be maintained for 20 consecutive trading days. The number of contingent shares issued would be 44,943, 88,889 and 88,889, respectively. Included in the above mentioned 266,667 contingent shares are 43,947 shares (approximately 16.48%) issuable to the Company's warrantholders, upon exercise of the warrants. Such shares are not subject to meeting certain stock trading price thresholds or employment of the Co-Chief Executive Officers. Upon expiration of unexercised warrants, any of the remaining 43,947 contingent shares will be issued to the Co-Chief Executive Officers.

The total consideration paid by the Company for the net assets of Monterey Homes was $9,323,353. This amount included 1,288,726 shares of the Company's common stock valued at $8,544,256 and $779,097 of transaction costs. The purchase method of accounting was used by the Company, and the purchase price was allocated among the Monterey net assets based on their estimated fair market value at the date of acquisition, resulting in goodwill of $1,763,488 which will be amortized over 20 years.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company as if the Merger had occurred at January 1, 1996, with pro forma adjustments together with related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would actually have resulted had the combination been in effect on the date indicated.

	Three Months ended March 31, 1997	1996
Total revenues	$13,107,447	$15,405,525
Net income	288,338	268,393
Net earnings per share........	$ .06	$ .06

NOTE 6 - INCOME TAXES

Deferred tax assets of approximately $6.8 million have been recorded in the March 31,1997 and December 31, 1996 balance sheet due to temporary differences and carryforwards. For federal and state income tax purposes at March 31, 1997 and at December 31, 1996, the Company had a net operating loss carryforward of approximately $53 million that expires beginning in 2007.

Income tax expense for the three months ended March 31, 1997 was $25,873. No income tax was recorded in the first quarter of 1996, due to the Company's status as a real estate investment trust in that year.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements. The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, projections of revenues, income, or loss, capital expenditures, plans for future operations, financing needs or plans, the impact of inflation, the impact of changes in interest rates, plans relating to products or services of the Company, potential real property acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Statements in Exhibit 99 to this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K, including the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," describe factors, among others, that could contribute to or cause such differences. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements are set forth in "Business" and "Market for the Registrant's Common Stock and Related Stockholder Matters" in the Company's Annual Report on Form 10-K.

Historical Results of Operations

Quarter ended March 31, 1997 compared to 1996:

The Company had net income of $288,338 or $.06 per share for the first three months of 1997 compared to $84,333 or $.03 per share in 1996. Home sales revenue, cost of home sales, commissions and other sales costs all increased in 1997, as the Company had no homebuilding operations prior to the Merger in December of 1996.

Residual and real estate loan interest income was less in 1997 than in 1996 due to the decreasing residual and loan portfolio balances. The increase in general, administrative and other costs to $1,091,686 in 1997 from $388,073 in 1996 was caused mainly by higher corporate costs, including compensation expense that was related to the merger transaction. All interest incurred was capitalized in 1997, with $93,000 amortized through costs of home sales, and not expensed directly as in 1996.

Liquidity and Capital Resources

The Company uses a combination of borrowings and funds generated by operations to meet its working capital requirements. At March 31, 1997, the Company had $20 million in a short-term, secured, revolving construction loan facility and $20 million in an acquisition and development guidance facility, of which $10.5 million and $7.3 million were outstanding, respectively. The Company also had outstanding $4.1 million at March 31, 1997, on a term loan to refinance an existing note, as well as $8.0 million in unsecured, senior subordinated notes due October 15, 2001 (the "Notes"), which were issued in October 1994. The Company had available but unborrowed funds under its credit facilities of $2.1 million at March 31, 1997.

In the first quarter of 1997, the Company used $8.2 million of cash to purchase land for future development at the Gainey Ranch site in Scottsdale, Arizona. Subsequent to March 31, 1997, the Company added this property to its acquisition and development guidance facility generating $4.3 million in available but unborrowed funds.

The Indenture governing the Notes and the Company's various loan agreements contain restrictions which could, depending on the circumstances, affect the Company's ability to obtain additional financing in the future. If the Company at any time is not successful in obtaining sufficient capital to fund its then-planned development and expansion costs, some or all of its projects may be significantly delayed or abandoned. Any such delay or abandonment could result in cost increases or the loss of revenues and could have a material adverse effect on the Company's results of operations and ability to repay its indebtedness.

The cash flow for each of the Company's communities can differ substantially from reported earnings, depending on the status of the development cycle. The early stages of development or expansion require significant cash outlays for, among other things, land acquisition, obtaining plat and other approvals, construction of amenities which may include community tennis courts, swimming pools and ramadas, model homes, roads, certain utilities and general landscaping. Because these costs are capitalized, income reported for financial statement purposes during a development's early stages may significantly exceed cash flow. In later stages of development and expansion, cash flow can significantly exceed income reported for financial statement purposes, as cost of home sales includes charges for substantial amounts of previously expended costs.

Pro Forma Results Of Operations for the Quarters Ended March 31, 1997 and 1996

As a result of the Merger, the primary business of the Company has shifted from the making of real estate loans and holding residual interests to homebuilding. Due to this change, Management believes that comparison of operations for quarters in a prior year with the current quarter operations is not as meaningful as the pro forma results. Accordingly, Management has prepared proforma condensed combined operating results for the three months ended March 31, 1996, which reflect the impact of combining the pre-merger companies as though the acquisition had taken place on January 1, 1996.

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1997	1996
	Actual	Pro Forma
	(Dollars in thousands, except per share data)	
<S>	<C>	<C>
Home sales revenue..................................	$12,573	$14,767
Cost of home sales..................................	10,947	12,924
Gross profit....................................	1,626	1,843

Selling, general and administrative	1,847	2,180
Operating loss	(221)	(337)
Other income	535	638
Earnings before income taxes	314	301
Income tax expense	26	33
Net earnings	$ 288	$ 268
Earnings per share	$ .06	$ .06

</TABLE>

The key assumptions in the pro forma results of operations relate to the following:

(1) The transaction was consummated on January 1, 1996.
(2) Compensation expense was adjusted to add the new employees' cost and to deduct the terminated employees' cost.
(3) The net operating loss was utilized to reduce the maximum amount of taxable income possible.

Results of Operations

The following discussion and analysis provides information regarding the combined financial position of the Company and its subsidiaries as of March 31, 1997 and December 31, 1996 and their results of operations for the three months ended March 31, 1997 and pro forma operations for the three months ended March 31, 1996. All material balances and transactions between Monterey Homes Corporation and its subsidiaries have been eliminated. This discussion should be read in conjunction with the Company's and Subsidiaries' Annual Report on Form 10-K for the year ended December 31, 1996. In the opinion of Management, the unaudited interim data reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

Home Sales Revenue

Home sales revenue for any period is the product of the number of units closed during the period and the average sales price per unit. The following table presents comparative first quarter 1997 and 1996 housing revenues (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended M 1997	Increase 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>
Dollars	$ 12,573	$ 14,767	($2,194)	(14.9%)
Units closed	40	53	(13)	(24.5%)
Average sales price	$ 314.3	$ 278.6	$ 35.7	12.8%

</TABLE>

Home sales revenue decreased 14.9% due to 13 fewer closings during the first quarter of 1997. The average sales price increased 12.8% due to closing higher priced homes in 1997. In the first quarter of 1996, 23 lower priced condominium units were closed. There were no condominium closings in the first quarter of 1997 as this project was sold out in 1996.

Gross Profit

Gross profit equals home sales revenue, net of housing cost of sales, which include developed lot costs, units construction costs, amortization of common community costs (such as the cost of model complex and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. The following table presents comparative first quarter 1997 and 1996 housing gross profit (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended M 1997	Increase 1996	Dollar Increase (Decrease)	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>
Dollars	$1,626	$1,843	($217)	(11.8%)

Percent of housing revenues...	12.9%	12.5%	.4%	3.2%

</TABLE>

The 11.8% decrease in dollar gross profit is a result of 13 fewer closings in the first quarter of 1997.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, which include advertising, model and sales office, sales administration, commissions and corporate overhead costs, were $1.8 million for the first quarter of 1997, as compared to $2.2 million for the same period in 1996, a decrease of 8%. This change was caused mainly by fewer home closings and higher administrative and corporate costs paid in 1996 than in 1997.

Development Projects

At March 31, 1997, the Company had 14 subdivisions under various stages of development. The Company was actively selling in 11 subdivisions, was sold out in one subdivision, and was in various stages of preparation to open for sales in two subdivisions. The Company owns the underlying land in seven subdivisions subject to bank acquisition financing and the underlying land in two subdivisions free from any acquisition financing. The lots in

the remaining five subdivisions are purchased from developers on a rolling option basis. During the first quarter of 1997, the Company purchased one new subdivision and entered into one new rolling lot option contract to increase the lots available to the Company in one existing subdivision. Depending on market conditions, Management may elect to make additional selective property acquisitions throughout the remainder of the current year.

Net Orders

Net orders for any period represent the number of units ordered by customers (net of units canceled) multiplied by the average sales price per units ordered. The following table presents comparative first quarter 1997 and 1996 net orders (dollars in thousands):

	Quarter Ended March 31, 1997	1996	Dollar/Unit Increase	Percentage Increase
Dollars	$27,868	$15,490	$12,378	79.9%
Units ordered	81	59	22	37.3%
Average sales price	$ 344.1	$ 262.5	$ 81.6	31.1%

The dollar volume of net orders increased by 79.9% over the 1996 first quarter due primarily to an increase in average sales price and higher unit sales. The increase in average sales price was caused by activity in a new semi-custom subdivision with higher priced homes. The increase in net orders has generally been caused by an increase in the number of subdivisions actively open for sales to eleven in 1997 from six in 1996.

Monterey does not include sales which are contingent on the sale of the customer's existing home as orders until the contingency is removed. Historically, Monterey has experienced a cancellation rate of less than 16% of gross sales.

Net Sales Backlog

Backlog represents net orders of Monterey which have not closed. The following table presents comparative March 31, 1997 and 1996 net sales backlog (dollars in thousands):

	Quarter Ended March 31, 1997	1996	Dollar/Unit Increase	Percentage Increase
Dollars...........	$61,224	$40,602	$20,622	50.8%
Units in Backlog...	161	150	11	7.3%
Average Sales Price	$ 380.3	$ 270.7	$ 109.6	40.5%

Dollar backlog increased 50.8% over the prior year due to an increase in units in backlog and by an increase in average sales price. Average sales price has increased due to the sell out of lower priced Vintage Condominium subdivision and the opening of a higher priced semi-custom subdivision. Units in backlog have increased 7.3% over the prior year due to the increase in net orders.

Seasonality

Monterey has historically closed more units in the second half of the fiscal year than in the first half, due in part to the slightly seasonal nature of the market for their semi-custom, luxury product homes. Management expects that this seasonal trend will continue in the future, but may change slightly as operations expand within the move-up segment of the market.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - Exhibit 27, Financial Data Schedule

- Exhibit 99, Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements

(b) Reports on Form 8-K - A Current Report on Form 8-K, dated December 31, 1996, was filed with the Securities and Exchange Commission on January 14, 1997. This Form 8-K related to (i) the merger of two privately-held homebuilding companies with and into the Company and (ii) the retention of KPMG Peat Marwick LLP to replace Ernst & Young LLP as the Company's independent accountants. This Form 8-K was amended on January 22, 1997 and March 6, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

MONTEREY HOMES CORPORATION
A Maryland Corporation

May 13, 1997 By: / LARRY W. SEAY

Larry W. Seay
Vice President of Finance &
Chief Financial Officer

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EXHIBIT 99

Private Securities Litigation Reform Act of 1995
Safe Harbor Compliance Statement for Forward-Looking Statements

In passing the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Congress encouraged public companies to make "forward-looking statements" by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. Monterey Homes Corporation (the "Company" or "Monterey") intends to qualify both its written and oral forward-looking statements for protection under the PSLRA.

To qualify oral forward-looking statements for protection under the PSLRA, a readily available written document must identify important factors that could cause actual results to differ materially from those in the forward-looking statements. Monterey provides the following information in connection with its continuing effort to qualify forward-looking statements for the safe harbor protection of the PSLRA.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the following: (i) changes in national and local economic and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local government fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) the Company's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) lack of geographic diversification of the Company's operation, especially when (A) real estate analysts are predicting that new home sales in the Phoenix, Arizona metropolitan area will slow significantly during 1997 and 1998 and (B) new home sales in the Tucson, Arizona metropolitan area are expected to remain relatively flat during 1997; (viii) limited product diversification in that the Company derives most of its revenue from sales of semi-custom luxury homes; (ix) the inability of the Company to obtain sufficient capital on terms acceptable to the Company to fund its planned capital and other expenditures; (x) changes in local, state and federal rules and regulations governing real estate developing and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (xi) expansion by the Company into new markets in which the Company has no operating experience; (xii) the inability of the Company to identify acquisition candidates that will result in successful combinations; (xiii) the failure of the Company to make acquisitions on terms acceptable to the Company; (xiv) the loss of key employees of the Company, including William W. Cleverly and Steven J. Hilton; and (xv) factors that may affect the Company's mortgage assets, including general conditions in the financial markets, changes in prepayment rates and changes in interest rates.

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, Monterey undertakes no obligations to update or revise forward-looking statements to reflect changed assumptions, the occurrence of anticipated events or changes to projections over time.

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(1) "Forward-looking statements" can be identified by use of words such as "expect," "believe," "estimate," "project," "forecast," "anticipate," "plan," and similar expressions.