

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

Amendment No. 1

to

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 1, 1997  
-----

-----  
MONTEREY HOMES CORPORATION  
-----

(Exact name of registrant as specified in its charter)

Maryland

1-9977

86-0611231

-----  
(State or other jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

6613 North Scottsdale Road, Suite 200, Scottsdale, Arizona

85250

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (602) 998-8700  
-----

NONE  
-----

(Former name or former address, if changed since last report)

The Current Report on Form 8-K/A1 amends the Current Report on Form 8-K  
filed by Monterey Homes Corporation on July 1, 1997 solely to add the financial  
statements of the business acquired by Item 7(a) and the pro forma financial  
information required by Item 7(b).

<TABLE>  
<CAPTION>

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

Page  
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<S>

(a) Financial Statements of the business acquired.

<C>  
3

The required financial statements of the business acquired are attached.

(b) Pro Forma Financial Information

The required pro forma financial information of the business is attached.

12

(c) Exhibit

23.1 Consent of Ernst & Young LLP

</TABLE>

2  
Report of Independent Auditors

The Board of Directors  
Legacy Homes, Ltd.

We have audited the accompanying balance sheets of Legacy Homes, Ltd., as of  
December 31, 1995 and 1996, and the related statements of income, changes in  
partner's capital and cash flows for each of the three years in the period ended  
December 31, 1996. These financial statements are the responsibility of the  
Partnership's management. Our responsibility is to express an opinion on these

financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Homes, Ltd. at December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Dallas, Texas  
 April 15, 1997, except for Note 6, as  
 to which the date is July 1, 1997

3  
 Legacy Homes, Ltd.

Balance Sheets

<TABLE>  
 <CAPTION>

	December 31	
	1995	1996
	----	----
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents .....	\$ 3,710,690	\$ 3,201,007
Due from title companies .....	285,527	27,400
Note receivable .....	--	503,825
Other receivables .....	199,962	453,938
Inventories:		
Finished homes and construction in progress.....	9,657,959	13,991,188
Developed residential lots .....	1,306,216	3,169,411
Land under development .....	1,650,702	469,467
Model homes .....	2,051,640	2,273,000
	-----	-----
	14,666,517	19,903,066
Prepaid expenses and other .....	15,307	18,460
Furniture and equipment, net .....	301,860	486,683
	-----	-----
Total assets .....	\$ 19,179,863	\$ 24,594,379
	=====	=====
Liabilities and partners' capital		
Trade payables .....	\$ 2,621,098	\$ 2,969,136
Due to affiliate for land under development .....	1,277,647	--
Accrued expenses .....	1,626,987	1,673,224
Customer deposits .....	659,409	720,546
Notes payable .....	--	4,458,378
Notes payable - related parties .....	3,459,350	3,380,000
Partners' capital .....	9,535,372	11,393,095
	-----	-----
Total liabilities and partners' capital .....	\$ 19,179,863	\$ 24,594,379
	=====	=====

</TABLE>

See accompanying notes  
 4  
 Legacy Homes, Ltd.

Statements of Income

<TABLE>  
 <CAPTION>

	Year ended December 31		
	1994	1995	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues.....	\$ 55,982,719	\$ 61,554,098	\$ 85,114,000
Cost of sales.....	45,153,087	49,219,011	67,715,026

	10,829,632	12,335,087	17,398,974
Selling, general and administrative expenses.....	5,814,800	6,592,151	8,550,038
	5,014,832	5,742,936	8,848,936
Other:			
Interest income.....	207,189	201,513	106,722
Interest expense.....	(167,377)	(241,519)	(354,952)
	39,812	(40,006)	(248,230)
Net income.....	\$ 5,054,644	\$ 5,702,930	\$ 8,600,706

</TABLE>

Statements of Changes in Partners' Capital

<TABLE>			
<S>			<C>
Balance at December 31, 1993.....			\$ 7,621,438
Net income.....			5,054,644
Partners' distribution.....			(2,699,504)
Balance at December 31, 1994.....			9,976,578
Net income.....			5,702,930
Partners' distributions.....			(6,144,136)
Balance at December 31, 1995.....			9,535,372
Net income.....			8,600,706
Partners' distributions.....			(6,742,983)
Balance at December 31, 1996.....			\$ 11,393,095

</TABLE>

See accompanying notes  
5  
Legacy Homes, Ltd.

Statements of Cash Flows

<TABLE>				
<CAPTION>				
		Year ended December 31		
		1994	1995	1996
		----	----	----
<S>	<C>		<C>	<C>
Operating activities				
Net income.....	\$	5,054,644	\$ 5,702,930	\$ 8,600,706
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....		152,128	195,064	246,998
Loss on disposal of fixed assets.....		-	-	8,633
Changes in operating assets and liabilities:				
Due from title companies.....		(446,387)	160,860	258,127
Other receivables.....		192,775	(138,929)	(253,976)
Inventories.....		1,049,300	(3,536,577)	(5,236,549)
Prepaid expenses and other.....		(152,460)	181,122	(3,153)
Trade payables.....		(259,626)	907,103	348,038
Due to affiliate.....		-	1,277,647	(1,277,647)
Accrued expenses.....		92,055	863,195	46,237
Customer deposits.....		(157,761)	38,687	61,137
Net cash provided by operating activities.....		5,524,668	5,651,102	2,798,551
Investing activities				
Purchase of furniture and equipment.....		(96,597)	(191,124)	(440,454)
Advanced on note receivable.....		-	-	(605,000)
Payments received on note receivable.....		-	-	101,175
Net cash used in investing activities.....		(96,597)	(191,124)	(944,279)
Financing activities				
Proceeds from notes payable.....		30,917,209	30,829,124	54,939,532
Payments on notes payable.....		(32,021,429)	(37,468,213)	(50,481,154)
Proceeds from notes payable - related parties.....		1,360,140	3,380,000	-
Payments on notes payable - related parties.....		(1,254,668)	(255,040)	(79,350)
Partners' distributions.....		(2,699,504)	(6,144,136)	(6,742,983)
Net cash used in financing activities.....		(3,698,252)	(9,658,265)	(2,363,955)

Decrease in cash and cash equivalents.....	1,729,819	(4,198,287)	(509,683)
Cash and cash equivalents at beginning of year.....	6,179,158	7,908,977	3,710,690
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 7,908,977	\$ 3,710,690	\$ 3,201,007
	=====	=====	=====

</TABLE>

See accompanying notes  
6  
Legacy Homes, Ltd.  
Notes to Financial Statements  
December 31, 1996

1. Summary of Significant Accounting Policies

Organization

The Partnership is primarily engaged in the construction and sale of residential housing in Dallas/Fort Worth and Austin. The Partnership designs, builds and sells single-family homes on finished lots which it purchases ready for home construction or which it develops.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized at the time of the closing of a sale, when title to and possession of the property transfers to the buyer.

Cash Equivalents

The Partnership considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are stated at the lower of cost (specific identification method) or net realizable value. In addition to direct land acquisition and housing construction costs, inventory costs include interest and real estate taxes, which are capitalized in inventory during the development and construction periods.

Furniture and Equipment

Furniture and equipment are stated on the basis of cost. Depreciation is computed by the straight-line method based on estimated useful lives. Accumulated depreciation at December 31, 1995 and 1996 was \$708,235 and \$448,252, respectively.

Income Taxes

The Partnership is not subject to federal income taxes as its income is reported on the partners' income tax returns. Accordingly, no provision for federal income tax liability has been recorded in the financial statements.

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Legacy Homes, Ltd.  
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed when incurred. Advertising expense was \$419,092, \$518,710 and \$616,935 in 1994, 1995 and 1996, respectively.

2. Notes Payable

Notes payable at December 31, 1996 consisted of interim construction loans payable to financial institutions under a master note agreement which was amended in 1996. The Partnership may borrow up to \$30 million at prime, and the obligation is secured by inventory and guaranteed by the general partner. The master note agreement contains various covenants, including net worth requirements, debt to home completion values, liabilities to net worth ratios and restrictions on the payment of distributions. The master note agreement has a one year term, due on July 31, 1997, but is reviewed annually for renewal.

Interest costs for the year ended December 31, 1994, 1995 and 1996 are:

1994	1995	1996
------	------	------

Capitalized	\$ 581,161	\$ 518,577	\$ 608,375
Not capitalized	167,377	241,519	354,952
Total incurred	\$ 748,538	\$ 760,096	\$ 963,327
Paid	\$ 718,820	\$ 817,275	\$ 920,829

3. Related Party Transaction

The Partnership has notes payable to related parties. These loans bear interest at prime and are due on demand or at various dates during 1997. Interest on these loans amounted to \$55,716, \$47,100 and \$285,870 for 1994, 1995 and 1996, respectively.

During 1995, the Partnership purchased land for approximately \$1,600,000 from a related party. During 1996, the Partnership developed and sold 56 lots from this land. There were 58 lots in ending inventory at December 31, 1996 related to the land purchased in 1995.

The Partnership leased its administrative office space from an affiliate under a short term rental agreement for approximately \$20,000, \$27,000 and \$34,000 during 1994, 1995 and 1996, respectively.

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Legacy Homes, Ltd.

Notes to Financial Statements (continued)

4. Profit Sharing Plan

The Partnership has a 401(k) savings plan for all eligible employees. Under the plan, the Partnership matches employees' voluntary contributions up to a maximum of 1.8% of each participant's earnings. The Partnership has the option to make discretionary contributions to the plan. Amounts charged to expense for the plan approximated \$15,000, \$24,000 and \$34,000 during 1994, 1995 and 1996, respectively.

5. Lot Options

To ensure the future availability of various developed lots in the ordinary course of business, the Partnership enters into option agreements to purchase developed lots.

6. Disposition of Assets

On May 29, 1997, the Partnership signed a definitive agreement to sell substantially all of its assets to Monterey Homes Corporation. The transaction became effective as of July 1, 1997.

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The following Unaudited Financial Data presents the results of operations of Legacy Homes, Ltd. for the six months ended June 30, 1997 and the financial position as of June 30, 1997.

Legacy Homes, Ltd.  
Balance Sheet  
(Unaudited)  
June 30, 1997

<TABLE>

<S>

Cash and cash equivalents.....	\$ 1,275,168
Due from title companies.....	1,088,645
Advances to partners.....	650,000
Other receivables.....	206,623
Real estate under development.....	18,727,774
Option deposits.....	812,281
Other assets.....	567,369
	-----
	\$ 23,327,860
	=====
Accounts payable and accrued liabilities.....	\$ 4,950,103
Home sale deposits.....	941,582
Notes payable.....	17,345,628
	-----
Total liabilities.....	23,237,313
	-----
Partners' capital.....	90,547
	-----

<C>

\$ 23,327,860  
=====

</TABLE>

Legacy Homes, Ltd.  
Income Statement  
(Unaudited)  
Six Months Ended June 30, 1997

<TABLE>		<C>
<S>		<C>
Revenues		\$ 39,727,991
Cost of Sales.....		32,958,779
		-----
Gross Profit.....		6,769,212
Selling, general and administrative.....		1,511,996
		-----
Operating income.....		5,257,216
Other income.....		332,836
		-----
Net income		\$ 5,590,052
		=====

</TABLE>

10  
Legacy Homes, Ltd.  
Statement of Cash Flows  
(Unaudited)  
Six Months Ended June 30, 1997

<TABLE>		<C>
<S>		<C>
Cash flows from operating activities:		
Net income.....		\$ 5,590,052
Depreciation and amortization.....		126,353
Increase in due from title companies.....		(1,061,245)
Decrease in other receivables.....		247,315
Decrease in real estate under development.....		1,175,292
Increase in option deposits.....		(812,281)
Increase in other assets.....		(188,579)
Increase in accounts payable and accrued liabilities.....		307,743
Increase in home sale deposits.....		221,036
		-----
Net cash provided by operating activities.....		5,605,686
		-----
Cash flows from investing activities:		
Advances to partners.....		(650,000)
Payment received on note receivable.....		503,825
		-----
Net cash used in investing activities.....		(146,175)
		-----
Cash flows from financing activities:		
Borrowings.....		30,769,151
Repayment of borrowings.....		(21,261,901)
Partner capital distributions.....		(16,892,600)
		-----
Net cash used in financing activities.....		(7,385,350)
		-----
Net decrease in cash and cash equivalents.....		(1,925,839)
Cash and cash equivalents at beginning of period.....		3,201,007
		-----
Cash and cash equivalents at end of period.....		\$ 1,275,168
		=====

</TABLE>

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Unaudited Pro Forma Condensed Combined Balance Sheet  
June 30, 1997  
(In Thousands, Except Share Data)

<TABLE>		Legacy						
<CAPTION>		-----						
		Legacy	Mortgage		Monterey		Pro Forma	
		-----	-----		-----		-----	
		Ltd	Co.	Combined	Historical	Combined	Adjustments	
		---	---	-----	-----	-----	-----	---
		-----	-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:								
Cash and cash equivalents .....		\$ 1,275	\$ 32	\$ 1,307	\$ 7,263	\$ 8,570	\$ (1,553) (a)	\$

7,017							
Real estate under development ...	1,946	94	2,040	45,107	47,147	--	
47,147							
Real estate loan & other .....							
receivables .....	18,728	--	18,728	1,571	20,299	--	
20,299							
Option deposits .....	812	--	812	1,319	2,131	--	
2,131							
Residual interests .....	--	1	--	3,856	3,856	--	
3,856							
Other assets .....	567	--	568	800	1,368	(350)	(a)
1,018							
Deferred tax asset .....	--	--	--	6,783	6,783	3,621	
10,404							
Goodwill .....	--	--	--	1,719	1,719	1,519	(b)
3,238							
-----							
-----							
Total Assets	\$ 23,328	127	\$ 23,455	\$ 68,418	\$ 91,873	\$ 3,237	\$
95,110							
=====							
-----							
-----							
Liabilities and Stockholders'							
Equity							
Accounts payable & accruals .....	\$ 4,950	\$ 20	\$ 4,970	\$ 7,344	\$ 12,314	\$ --	\$
12,314							
Home sale deposits .....	942	34	976	7,697	8,673	--	
8,673							
Notes payable .....	17,346	--	17,346	23,839	41,185	--	
41,185							
-----							
-----							
Total Liabilities	23,238	54	23,292	38,880	62,172	--	
62,172							
-----							
-----							
Stockholders Equity							
Common stock .....	--	--	--	46	46	7	(c)
53							
Additional paid-in capital .....	90	73	163	92,990	93,153	3,230	(c)
96,383							
Retained earnings (loss) .....	--	--	--	(63,088)	(63,088)	--	
(63,088)							
Treasury stock .....	--	--	--	(410)	(410)	--	
(410)							
-----							
-----							
Total Equity	90	73	163	29,538	29,701	3,237	
32,938							
-----							
-----							
Total Liabilities & Stockholders Equity	\$ 23,328	\$ 127	\$ 23,455	\$ 68,418	\$ 91,873	\$ 3,237	\$
95,110							
=====							

See Notes to Unaudited Pro Forma Condensed Combined Financial Data  
12  
Unaudited Pro Forma Condensed Combined Income Statement  
For the Year Ended December 31, 1996  
(In Thousands, Except Share Data)

	Pro Forma Monterey -----	Historical Legacy -----	Combined -----	Pro Forma Adjustments -----	Pro Forma Combined -----
<S>	<C>	<C>	<C>	<C>	<C>
Home and land sales.....	\$ 87,754	\$ 85,114	\$ 172,868	\$ --	\$ 172,868
Cost of home and land sales...	75,099	67,715	142,814	1,513 (d)	144,327
-----					
Gross margin.....	12,655	17,399	30,054	(1,513)	28,541
Selling, general and admin. expense.....	7,777	8,550	16,327	191 (e) 275 (g) 102 (f)	16,895
Operating income	4,878	8,849	13,727	(2,081)	11,646
Other income, net.....	1,998	(248)	1,750	--	1,750
-----					

Income before income taxes....	6,876	8,601	15,477	(2,081)	13,396
Income tax expense.....	756		756	115 (h)	871
	-----	-----	-----	-----	-----
Net Income .....	\$ 6,120	\$ 8,601	\$ 14,721	\$ (2,196)	\$ 12,525
	=====	=====	=====	=====	=====

Net income per share: \$ 2.27  
=====

Weighted average common shares  
outstanding 5,520,000  
=====

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Financial Data

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Unaudited Pro Forma Condensed Combined Income Statement

For the Six Months Ended June 30, 1997

(In Thousands, Except Share Data)

<TABLE>

<CAPTION>

	Actual Monterey -----	Historical Legacy -----	Combined -----	Pro Forma Adjustments -----	Pro Forma Combined -----
<S>	<C>	<C>	<C>	<C>	<C>
Home and land sales.....	\$ 37,117	\$ 39,728	\$ 76,845	\$ --	\$ 76,845
Cost of home and land sales...	31,829	32,959	64,788	757 (d)	65,545
	-----	-----	-----	-----	-----
Gross margin.....	5,288	6,769	12,057	(757)	11,300
Selling, general and admin. expense.....	4,274	1,512	5,786	70 (e) 138 (g) 23 (g)	6,017
Operating income	1,014	5,257	6,271	(988)	5,283
Other income, net.....	1,456	333	1,789	0	1,789
	-----	-----	-----	-----	-----
Income before income taxes....	2,470	5,590	8,060	(988)	7,072
Income tax expense.....	224		224	236 (h)	460
	-----	-----	-----	-----	-----
Net Income .....	\$ 2,246	\$ 5,590	\$ 7,836	\$ (1,224)	\$ 6,612
	=====	=====	=====	=====	=====

Net income per share: \$ \$1.20  
=====

Weighted average common shares  
outstanding 5,520,000  
=====

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Financial Data

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Notes to Unaudited Pro Forma Condensed Combined Financial Data

1. Overview. The Unaudited Pro Forma Condensed Combined Income Statements are presented as if the acquisition of the assets of Legacy Homes, Ltd. and Legacy Enterprises, Inc. by a subsidiary of Monterey Homes Corporation (the "Legacy Acquisition") and the merger of Monterey Mortgage Acquisition Corp. into Texas Home Mortgage Corporation (the "Merger") occurred on January 1, 1996. The Legacy Acquisition and the Merger shall be collectively referred to as the "Legacy Transaction". The Unaudited Pro Forma Condensed Combined Balance Sheet is presented assuming the combination occurred on June 30, 1997.

The combination is recorded as a purchase in accordance with generally accepted accounting principles and, accordingly, the assets and liabilities of the acquired entity (Legacy) are presented at their estimated fair values as of that date.

Pursuant to the Employment Agreement with John Landon, he will be granted options to purchase 166,667 shares of Monterey Homes Common Stock at an exercise price of \$5.25, which will vest over the three years following the acquisition and expire June 30, 2001. The value of the options are considered compensation expense for the combined entity which will be recognized over the three-year vesting period.

The historical financial information for Monterey Homes Corporation ("Monterey") is derived from the audited consolidated financial statements of Monterey as of and for the year ended December 31, 1996, and the unaudited consolidated financial statements of Monterey as of and for the six months ended



June 30, 1997. The historical financial information for Legacy is derived from the audited financial statements of Legacy Homes, Ltd. and Texas Home Mortgage Corporation, as of and for the year ended December 31, 1996, and the unaudited financial statements of the respective entities as of and for the six months ended June 30, 1997. Legacy Enterprises, Inc., had no assets, liabilities or operations for the relevant time period.

The pro forma information does not purport to present the financial position or results of operations of Monterey and Legacy had the Legacy Transaction, the distribution to the partners of Legacy Homes, Ltd. that reduced its book value, and other events assumed therein occurred on the dates specified, nor is it necessarily indicative of the results of operations of Monterey and Legacy, as they may be in the future or as they may have been had the Legacy Transaction and other such events been consummated on the dates shown. The Unaudited Pro Forma Condensed Combined Financial Data should be read in conjunction with the Agreement of Purchase and Sale of Assets dated May 29, 1997 between Monterey, Legacy and John and Eleanor Landon, and the audited and unaudited historical financial statements and notes thereto of Monterey and Legacy included elsewhere in this Form 8-K/A.

2). Pro Forma Condensed Combined Balance Sheet Adjustments at June 30, 1997.

- a) To record payment for Legacy Homes, transfer of cash and \$350,000 in transaction costs.
- b) To record goodwill and the increase in the deferred tax asset associated with the Legacy Transaction.
- c) To record the effects of issuance of Monterey Common Stock to Legacy and additional paid-in capital resulting from the Legacy Transaction.

3). Pro Forma Condensed Combined Income Statement Adjustments for the Year Ended December 31, 1996 and the Six Month Period Ended June 30, 1997.

- d) To record interest expense related to an additional \$17.8M borrowing incurred in connection with the Legacy Transaction.
- e) To record amortization of goodwill, which is being amortized over 20 years.
- f) To record compensation expense incurred in connection with the issuance of options to purchase 166,667 shares of Monterey Common Stock, to John Landon. Compensation expense is recognized over the three year graded vesting period.
- g) To adjust for additional compensation expense expected to be incurred as specified in the Employment Agreement with Mr. Landon.
- h) To record the amount of income taxes, which has been estimated at 6.5% of income before income taxes.

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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, hereunto duly authorized.

MONTEREY HOMES CORPORATION

September 11, 1997

By: /s/ Larry W. Seay

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

Consent of Independent Auditors

We consent to the use of our report dated April 15, 1997, except for note 6, as to which the date is July 1, 1997, with respect to the financial statements of Legacy Homes, Ltd., incorporated by reference in Registration Statement (Form S-8 No. 33-38330) and related Prospectus of Monterey Homes Corporation (formerly Homeplex Mortgage Investment Corporation) filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Dallas, Texas  
September 8, 1997