
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) April 25, 2007

MERITAGE HOMES CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

1-9977
(Commission File
Number)

86-0611231
(IRS Employer
Identification No.)

17851 N. 85th Street, Suite 300, Scottsdale, Arizona
(Address of Principal Executive Offices)

85255
(Zip Code)

(480) 515-8100
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions *see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 25, 2007, we announced in a press release information concerning our earnings for the quarterly period ended March 31, 2007. A copy of this press release, including information concerning forward-looking statements and factors that may affect our future results, is attached as Exhibit 99.1. This press release is being furnished, not filed, under Item 2.02 in this Report on Form 8-K.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 Press Release dated April 25, 2007

2

SIGNATURES

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

Dated: April 25, 2007

MERITAGE HOMES CORPORATION

/s/ Larry W. Seay

By: Larry W. Seay
Executive Vice President and Chief
Financial Officer



press release

A DYNAMIC GROWTH COMPANY IN THE HOME BUILDING SECTOR

Contacts:
Investor Relations:

Brent Anderson
 Director Investor Relations
 (972) 543-8207

Corporate Communications:

Jane Hays
 Vice President-Corp. Develop.
 (972) 543-8123

MERITAGE HOMES REPORTS FIRST QUARTER 2007 RESULTS AND COMMENTS ON OUTLOOK FOR FULL YEAR

FIRST QUARTER SUMMARY RESULTS (CHANGE 2007 VS. 2006):

- Closed 1,796 homes (-29%) with an ASP of \$321K (-4%) for \$576 million home closing revenue (-32%)
- Net earnings of \$15 million (-81%), or \$0.57 diluted EPS (-80%)
- Gross margin of 15.6%, including \$17 million pre-tax charge (\$0.40 per share after tax) for land-related write-offs and impairments
- Net orders for 2,073 homes (-20%) totaling \$641 million (-23%)
- Cancellation rate improved to 27% of gross orders in the quarter from 48% in the fourth quarter 2006
- Order backlog at quarter-end of 3,962 homes (-39%) valued at \$1.3 billion (-42%)
- Net debt-to-capital ratio of 43%
- Total lot supply reduced 23% from September 30, 2005 peak to 41,936 lots, with 20% owned and 80% optioned

Scottsdale, Arizona (April 25, 2007) — Meritage Homes Corporation (NYSE: MTH) today announced first quarter results for the period ended March 31, 2007.

Summary Operating Results (Unaudited) (Dollars in thousands, except per share amounts)

| | As of and for the Three Months Ended | | | %Chg |
|------------------------|--------------------------------------|----------------|--|------|
| | 2007 | March 31, 2006 | | |
| Homes closed (units) | 1,796 | 2,528 | | -29% |
| Home closing revenue | \$ 576,115 | \$ 846,374 | | -32% |
| Sales orders (units) | 2,073 | 2,590 | | -20% |
| Sales order value | \$ 640,616 | \$ 832,618 | | -23% |
| Ending backlog (units) | 3,962 | 6,456 | | -39% |
| Ending backlog value | \$ 1,264,562 | \$ 2,167,844 | | -42% |
| Net Earnings | \$ 15,116 | \$ 79,736 | | -81% |
| Diluted EPS | \$ 0.57 | \$ 2.86 | | -80% |

Revenue and earnings reflect slower overall housing demand and difficult comparisons to record 2006 results

Meritage reported total revenue, net earnings and diluted EPS of \$577 million, \$15 million and \$0.57 per diluted share, respectively, for the first quarter of 2007, compared to all-time first quarter record 2006 amounts of \$847 million, \$80 million and \$2.86 per diluted share, respectively.

“Our first quarter 2007 results reflect the broad slowdown in the U.S. housing market and a difficult comparison to the prior year, when we achieved record first quarter revenue and earnings, resulting from unprecedented housing demand in 2005. Although home closing revenue returned to levels achieved two years ago, our margins were much lower due to competitive pricing pressures and additional land-related write-offs,” said Steven J. Hilton, chairman and CEO of Meritage.

Total home closing revenue for the first quarter 2007 was \$576 million from 1,796 home closings at an average price of approximately \$321,000. First quarter 2006 home closing revenue was \$846 million, up from \$551 million the previous year, on 2,528 home closings at an average price of approximately \$335,000.

Gross margin on first quarter home closing revenue was 15.6% in 2007, compared with a near-record 25.3% in the first quarter of 2006. First quarter 2007 gross margin was reduced by \$17 million in pre-tax charges (\$0.40 per share after tax) related to lot option deposit write-offs and inventory impairments, with no such charges in the first quarter 2006. Excluding these charges in 2007, gross margin would have been 18.6% and the Company would have reported diluted EPS of \$0.97 per share.

Sales improve with lower cancellations

Net sales orders for 2,073 homes totaled \$641 million in the first quarter 2007, a substantial improvement from the fourth quarter 2006, although lower than the near-record first quarter 2006 sales by 20% and 23%, respectively. Net sales were helped by a decline in order cancellations during the first quarter 2007. The cancellation rate

improved to 27% of first quarter gross orders (21% of beginning backlog) from 48% of fourth quarter 2006 gross orders (22% of beginning backlog) and in line with 28% of gross orders reported in last year's first quarter.

With 217 active communities at quarter-end, up from 185 a year ago, the absorption rate as measured by sales per average community was 10 in the first quarter 2007 compared to 14 in the first quarter 2006.

Total dollar value of backlog at the end of the first quarter was reduced 42% year-over-year, a combination of 39% fewer homes and a 5% lower average price (ASP.) The lower ASP reflects price reductions, incentives and changes in sales mix, with a higher percentage of lower-priced homes sold in recent quarters.

2

"Considering the difficult comparison to the first quarter last year, we were pleased with our sales results this quarter, and encouraged by the overall decline in cancellations," said Mr. Hilton. "We define a normal market as an absorption rate of about one sale per community per week, with stable prices and normal incentives. While we're not there yet, we believe our first quarter results indicate a move in the right direction."

Meritage maintains strong balance sheet

Responding to the downturn in demand and sales, the Company further reduced its inventories of unsold homes by 11% during the quarter, to a total of 1,213 spec homes, from the year-end 2006 balance of 1,365 spec homes.

While maintaining approximately a four- to five-year target supply of lots, total lot supply under control was reduced to 41,936 at first quarter-end, with 20% owned and 80% controlled under option contracts. Meritage has reduced its total controlled lot supply by 23% from the peak of 54,675 at September 30, 2005. The total was reduced by approximately 495 lots in the first quarter 2007 due to the write-off of optioned lots.

"We continue to believe that our use of options to control land has provided tangible benefits — by leveraging capital to allow us to grow faster when markets are strong, and by reducing our capital at risk, thereby limiting our land-related write-offs as markets weaken," said Mr. Hilton. "This strategy has benefited our shareholders, and we expect it will continue to do so."

Meritage reported a net debt-to-capital ratio of 43% at March 31, 2007, better than most other 'BB' rated homebuilders and near the low end of the Company's target of 40-50%. Meritage Homes Corporation received a rating upgrade to 'BB' from Standard and Poor's Rating Services during the quarter.

Total funds available under Meritage's existing bank credit facility increased 18% from year-end 2006 to \$528 million at March 31, 2007, after considering the facility's borrowing base availability and most restrictive covenants. In February of this year, the Company issued \$150 million of 7.73% senior subordinated notes maturing in 2017 in a private placement, and used the proceeds to pay down borrowings under its credit facility, increasing Meritage's liquidity.

Operating and reporting segments

Closings and orders slowed in the Central segment, Meritage's largest, comprised of Arizona, Texas and Colorado. Total closing revenue was down 7%, as 15% lower volume was partially offset by a 10% increase in ASP. First quarter 2007 total order value was 41% lower in Arizona, 12% lower in Texas, and 9% higher in Colorado, compared to the first quarter 2006.

Meritage's West segment, comprised of California and Nevada, experienced a 63% decline in total closing revenue during the first quarter 2007, while the total value of net orders was off just 9%. ASP's for the West segment were down 6% on homes closed and 11% on new orders, reflecting

3

continued pricing constraints. Meritage's California markets were some of the first to realize a slowdown, contributing to more favorable year-over-year comparisons, as the total value of home sales improved 2% year-over-year in the first quarter.

Florida markets comprise the East segment for Meritage, and continued to report the largest declines in terms of order volume and ASPs, driven by very weak demand in southwest Florida. Total closing revenue was 46% lower, while total order value was 62% lower in the first quarter 2007 compared to the first quarter 2006.

Summary and future outlook

"The markets for homebuilders have changed dramatically in the last year," said Mr. Hilton. "Change creates opportunity, and we see this period of change as one of opportunity for Meritage. We have a sound strategy for growth and profitability, a strong organization and leadership team with a proven record of success, and a solid franchise in some of the best homebuilding markets in the country. We are using the slowdown in demand as an opportunity to improve each."

"As we've stated previously, we expect 2007 will be a difficult year, but we are encouraged by some early signs of stabilization," offered Mr. Hilton. "We've seen our overall cancellation rate decline, sales pace begin to improve and incentives begin to stabilize in certain markets, resulting in modest impairments during the first quarter this year relative to last year's fourth quarter and some of our peers' recent write-offs. We have taken steps to improve sales, reduce our cost structure and strengthen our balance sheet, and our successes are evident in the results we've reported. While conditions are still challenging — with softer demand and weaker pricing compared to a year ago — we are confident in our ability to manage through these difficult conditions."

Mr. Hilton continued, "Based on current conditions and our projections, we are expecting to close 7,700-8,500 homes in 2007 for a total of \$2.4-2.7 billion revenue. Assuming relatively stable conditions and an associated modest exposure to inventory impairments or option write-offs during the remainder of the year, we expect to earn between \$2.00-2.50 per diluted share for the full year 2007."

"We will face difficult comparisons in the second quarter as we did in the first, but we believe that order comparisons will ease as we go through 2007. We anticipate that margins will continue to be under pressure due to competition in 2007, and would expect some modest improvement in demand during 2008, but are not relying on a rebound in 2007 to achieve our projections."

Concluding, Mr. Hilton said, "We expect Meritage will remain profitable for the full year 2007, and will emerge from this cycle a stronger competitor, well positioned to deliver superior growth and earnings in future years for our shareholders."

Awards and recognition

Meritage was pleased to move up to 580th on the FORTUNE 1000 list in its most recently published report, up from 615th in 2006. Among homebuilders ranked on this list, Meritage is the 13th largest in terms of total 2006 revenue.

Conference call and webcast

The Company will host a conference call on Thursday, April 26, 2007 at 11:00 a.m. Eastern Time to discuss the results of the quarter. The call will be webcast and accompanying materials will be accessible on the "Investor Relations" page of the Company's website at <http://www.meritagehomes.com>. The dial-in number is 800-901-5248 with a passcode of "Meritage," and participants are encouraged to dial in five minutes before the call begins. A replay of the call will be available after 2:00 p.m. EDT April 26, 2007, through midnight May 25, 2007, on the website noted above, or by dialing 888-286-8010, and referencing passcode 54286061. The webcast replay will also be available on the "Investor Relations" page of the Company's website, and through CCBN for two weeks at www.fulldisclosure.com.

Meritage Homes Corporation and Subsidiaries
Operating Results
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2007 | 2006 |
| Operating results | | |
| Home closing revenue | \$ 576,115 | \$ 846,374 |
| Land closing revenue | 1,335 | 897 |
| Total closing revenue | 577,450 | 847,271 |
| Home closing gross profit | 90,151 | 214,063 |
| Land closing gross profit/(loss) | 189 | (22) |
| Total closing gross profit | 90,340 | 214,041 |
| Commissions and other sales costs | (47,338) | (48,027) |
| General and administrative expenses | (26,663) | (42,722) |
| Other income, net | 6,279 | 7,499 |
| Earnings before provision for income taxes | 22,618 | 130,791 |
| Provision for income taxes | (7,502) | (51,055) |
| Net earnings | \$ 15,116 | \$ 79,736 |
| Earnings per share | | |
| Basic: | | |
| Earnings per share | \$ 0.58 | \$ 2.96 |
| Weighted average shares outstanding | 26,165 | 26,974 |
| Diluted: | | |
| Earnings per share | \$ 0.57 | \$ 2.86 |
| Weighted average shares outstanding | 26,543 | 27,876 |
| Non-GAAP Reconciliations: | | |
| Total closing gross profit | \$ 90,340 | \$ 214,041 |
| Add: Land-related write-offs/impairments | 17,037 | — |
| Adjusted closing gross profit | 107,377 | 214,041 |
| Earnings before provision for income taxes | 22,618 | 130,791 |
| Add: Land-related write-offs/impairments | 17,037 | — |
| Adjusted earnings before provision for income taxes | 39,655 | 130,791 |
| Adjusted provision for income taxes | (13,933) | (51,055) |
| Adjusted net earnings | \$ 25,722 | \$ 79,736 |
| Adjusted basic earnings per share | \$ 0.98 | \$ 2.96 |
| Adjusted diluted earnings per share | \$ 0.97 | \$ 2.86 |

Meritage Homes Corporation and Subsidiaries
Non-GAAP Financial Disclosures
(Unaudited)
(Dollars in thousands)

Three Months Ended

As of and for the Four
Quarters Ended

| | March 31, | | March 31, | |
|---|------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| EBITDA reconciliation:(1) | | | | |
| Net earnings | \$ 15,116 | \$ 79,736 | \$ 160,734 | \$ 311,205 |
| Provision for income taxes | 7,502 | 51,055 | 95,102 | 197,090 |
| Interest amortized to cost of sales | 7,972 | 10,761 | 40,197 | 41,629 |
| Depreciation and amortization | 4,269 | 4,873 | 23,125 | 18,326 |
| | <u>\$ 34,859</u> | <u>\$ 146,425</u> | <u>\$ 319,158</u> | <u>\$ 568,250</u> |
| Interest coverage ratio:(2) | | | | |
| EBITDA | | | \$ 319,158 | \$ 568,250 |
| Interest incurred | | | 54,373 | \$ 44,480 |
| Interest coverage ratio | | | 5.9x | 12.8x |
| Debt to EBITDA ratio:(3) | | | | |
| Notes payable and other borrowings | | | \$ 810,364 | \$ 648,413 |
| EBITDA | | | \$ 319,158 | \$ 568,250 |
| Debt to EBITDA ratio | | | 2.5x | 1.1x |
| After-tax stockholder returns: (4) | | | | |
| Net earnings | | | \$ 160,734 | \$ 311,205 |
| Average assets | | | \$ 2,154,122 | \$ 1,785,990 |
| Average equity | | | \$ 970,010 | \$ 762,744 |
| After-tax return on assets | | | 7.5% | 17.4% |
| After-tax return on equity | | | 16.6% | 40.8% |
| Net debt-to-capital: (5) | | | | |
| Notes payable and other borrowings | | | \$ 810,364 | \$ 648,413 |
| Less: cash and cash Equivalents | | | 38,919 | 41,662 |
| Net debt | | | 771,445 | 606,751 |
| Stockholders' equity | | | 1,023,061 | 891,540 |
| Capital | | | \$ 1,794,506 | \$ 1,498,291 |
| Net debt-to-capital | | | 43.0% | 40.5% |

7

(1) EBITDA is a non-GAAP financial measure and represents net earnings before interest expense amortized to cost of sales, income taxes, depreciation and amortization. A non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of earnings, balance sheet, or statement of cash flows (or equivalent statements) of the Company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. We have provided a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure. EBITDA is presented here because it is used by management to analyze and compare Meritage with other homebuilding companies on the basis of operating performance and we believe it is a financial measure widely used by investors and analysts in the homebuilding industry. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies calculate EBITDA in an identical manner and, therefore, it 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 GAAP.

(2) Interest coverage ratio is calculated as the trailing four quarters' EBITDA divided by the trailing four quarters' interest incurred.

(3) Debt to EBITDA ratio is calculated as notes payable and other borrowings divided by the trailing four quarters' EBITDA.

(4) Return on assets is defined as net earnings for the trailing four quarters divided by the average of the trailing five quarters' ending total assets. Return on equity is defined as net earnings for the trailing four quarters divided by the average of the trailing five quarters' ending stockholders' equity for the same period.

(5) Net debt-to-capital is calculated as notes payable and other borrowings less cash and cash equivalents, divided by the sum of notes payable and other borrowings, less cash and cash equivalents, plus stockholders' equity.

Meritage Homes Corporation and Subsidiaries
Balance Sheet Data
(In thousands)

| | March 31, 2007 (unaudited) | December 31, 2006 |
|------------------------------------|-------------------------------|-------------------|
| Total assets | \$ 2,184,129 | \$ 2,170,525 |
| Real estate | 1,576,038 | 1,535,871 |
| Cash and cash equivalents | 38,919 | 56,710 |
| Total liabilities | 1,161,068 | 1,163,693 |
| Notes payable and other borrowings | 810,364 | 733,276 |
| Stockholders' equity | 1,023,061 | 1,006,832 |

8

Operating Data (Unaudited)
(Dollars in Thousands)

| | For the Three Months Ended March 31, | | | |
|-----------------------|--------------------------------------|--------------|-------|--------------|
| | 2007 | | 2006 | |
| | Homes | Value | Homes | Value |
| Homes Closed: | | | | |
| California | 194 | \$ 102,135 | 423 | \$ 246,883 |
| Nevada | 45 | 15,277 | 189 | 74,156 |
| West Region | 239 | 117,412 | 612 | 321,039 |
| Arizona | 498 | 182,289 | 736 | 225,859 |
| Texas | 912 | 222,888 | 952 | 219,084 |
| Colorado | 33 | 13,663 | 16 | 6,090 |
| Central Region | 1,443 | 418,840 | 1,704 | 451,033 |
| Florida | 114 | 39,863 | 212 | 74,302 |
| East Region | 114 | 39,863 | 212 | 74,302 |
| Total | 1,796 | \$ 576,115 | 2,528 | \$ 846,374 |
| Homes Ordered: | | | | |
| California | 291 | \$ 139,984 | 237 | \$ 137,356 |
| Nevada | 84 | 30,866 | 129 | 49,408 |
| West Region | 375 | 170,850 | 366 | 186,764 |
| Arizona | 478 | 152,342 | 733 | 259,810 |
| Texas | 1,096 | 278,544 | 1,312 | 315,147 |
| Colorado | 48 | 18,520 | 42 | 16,994 |
| Central Region | 1,622 | 449,406 | 2,087 | 591,951 |
| Florida | 76 | 20,360 | 137 | 53,903 |
| East Region | 76 | 20,360 | 137 | 53,903 |
| Total | 2,073 | \$ 640,616 | 2,590 | \$ 832,618 |
| Order Backlog: | | | | |
| California | 323 | \$ 167,665 | 528 | \$ 311,437 |
| Nevada | 96 | 37,314 | 289 | 101,652 |
| West Region | 419 | 204,979 | 817 | 413,089 |
| Arizona | 885 | 317,359 | 2,424 | 872,653 |
| Texas | 2,393 | 637,819 | 2,533 | 605,528 |
| Colorado | 60 | 23,640 | 58 | 22,726 |
| Central Region | 3,338 | 978,818 | 5,015 | 1,500,907 |
| Florida | 205 | 80,765 | 624 | 253,848 |
| East Region | 205 | 80,765 | 624 | 253,848 |
| Total | 3,962 | \$ 1,264,562 | 6,456 | \$ 2,167,844 |

Meritage Homes Corporation and Subsidiaries
Operating Data (Unaudited)

| Active Communities: | First Qtr 2007 | | First Qtr 2006 | |
|-----------------------|----------------|-----|----------------|-----|
| | Beg. | End | Beg. | End |
| California | 26 | 25 | 20 | 23 |
| Nevada | 5 | 9 | 6 | 6 |
| West Region | 31 | 34 | 26 | 29 |
| Arizona | 42 | 39 | 35 | 36 |
| Texas | 121 | 124 | 108 | 100 |
| Colorado | 6 | 7 | 3 | 5 |
| Central Region | 169 | 170 | 146 | 141 |
| Florida | 13 | 13 | 12 | 15 |
| East Region | 13 | 13 | 12 | 15 |
| Total | 213 | 217 | 184 | 185 |

About Meritage Homes Corporation

Meritage Homes Corporation (NYSE:MTH) is a leader in the homebuilding industry. The Company is ranked by *Builder* magazine as the 13th largest homebuilder in the U.S. and was recently selected for the fourth consecutive year to *Forbes'* "Platinum 400 — Best-Managed Big Companies in America." Meritage is in the S&P SmallCap

600 Index, ranks 580 on the 2007 *Fortune* 1000 list and has appeared on *Fortune*'s "Fastest Growing Companies in America" list in five of the last seven years. Meritage operates in many of the dominant homebuilding markets of the southern and western United States, including six of the top 10 single-family housing markets in the country, and has reported 19 consecutive years of record revenue through 2006. For more information about the Company, visit www.meritagehomes.com. Meritage is a member of the Public Home Builders Council of America (www.phbca.org).

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include those regarding our expectations about trends in the housing or homebuilding markets, or for Meritage in particular, including trends related to: sales/orders, cancellations, prices/incentives, land values and sales/absorption rates, as well as the timing of changes or continuation of trends in related metrics; our expected home closings, revenue, margins and net earnings/EPS for 2007; the level of option write-offs and impairment charges we may incur in 2007; our future lot or land supply and the benefits of our lot option strategy; and our future opportunities and operations of Meritage Homes. Such statements are based upon preliminary financial and operating data, the current beliefs and expectations of Company management, and current market conditions, which are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update any forward-looking statements to reflect future events or changes in these expectations.

Meritage's business is subject to a number of risks and uncertainties, including: fluctuations in demand, competition, sales orders, cancellation rates and home prices in our markets; potential write-downs or write-offs of assets or deposits; interest rates and changes in the availability and pricing of residential mortgages; housing affordability; our

10

success in locating and negotiating potential acquisitions; successful integration of acquired operations with existing operations; our investments in land and development joint ventures; our dependence on key personnel and the availability of satisfactory subcontractors; materials and labor costs; our ability to take certain actions because of restrictions contained in the indentures for our senior and senior subordinated notes, and the agreement for our unsecured credit facility; our lack of geographic diversification; the cost and availability of insurance, including the unavailability of insurance for the presence of mold; our potential exposure to natural disasters; the impact of construction defect and home warranty claims; demand for and acceptance of our homes; changes in the availability and pricing of real estate in the markets in which we operate; our ability to acquire additional land or options to acquire additional land on acceptable terms, particularly in our start-up markets; our exposure to obligations under performance and surety bonds, performance guarantees and letters of credit; general economic slow downs; consumer confidence, which can be impacted by economic and other factors such as terrorism, war, or threats thereof and changes in energy prices or stock markets; inflation in the cost of materials used to construct our homes; our level of indebtedness and our ability to raise additional capital when and if needed; legislative or other initiatives that seek to restrain growth or new housing construction or similar measures and other factors identified in documents filed by us with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2006, under the caption "Risk Factors." As a result of these and other factors, the Company's stock and note prices may fluctuate dramatically.

###

11
