HORTON D R INC /DE/
Form 424B5
June 20, 2003

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PROSPECTUS SUPPLEMENT

(To Prospectus dated March 27, 2002)

$100,000,000

Filed pursuant to Rule 424(B)5

SEC File No. 333-84088

D.R. Horton, Inc.

5.875% Senior Notes due 2013

D.R. Horton, Inc.

- We are a national homebuilder. We construct and sell single-family homes in metropolitan areas of the Mid-Atlantic, Midwest, Southeast, Southwest and West regions of the United States.

Notes

- We are offering $100,000,000 aggregate principal amount of our 5.875% Senior Notes due 2013.

- We will pay interest on the notes semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2004. The notes will mature on July 1, 2013.

- We may redeem some or all of the notes at any time on or after July 1, 2008 at the redemption prices set forth in this prospectus supplement under Description of Notes under the heading Optional Redemption. At any time on or before July 1, 2006, we may redeem these notes with the net cash proceeds of one or more public equity offerings by us, at a redemption price equal to 105.875% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of redemption, so long as at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding.

- 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.

- We expect to use the net proceeds from this offering and borrowings under our revolving credit facility to redeem all of our outstanding 9% senior notes due 2008.

- All of our existing and future restricted subsidiaries will guarantee the notes.

Ranking

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

- The guarantees will be unsecured and will rank equally with all existing and future unsecured and unsubordinated indebtedness of the guarantors, including their guarantees of our credit facility.

Before buying any notes, you should read the discussion of material risks of investing in our notes beginning on page S-9 of this prospectus supplement.

The notes will be sold to the public at a per note price of $1,000. On an aggregate basis, the notes will be sold to the public at a price of $100,000,000. We will receive all of the proceeds from such sale, before deducting expenses.

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

The notes will be ready for delivery in book-entry form to The Depositary Trust Company on or about June 25, 2003.

Joint Book-Running Managers

UBS Investment Bank **Credit Suisse First Boston**

The date of this prospectus supplement is June 18, 2003

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

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Forward-Looking Statements

The statements contained in this prospectus supplement and the information incorporated by reference include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements typically include the words believe, expect, anticipate, estimate, project and future. These forward-looking statements involve risks, uncertainties and other factors th cause our actual results to differ materially from the results we discuss in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- changes in general economic, real estate and business conditions;
- changes in interest rates and the availability of mortgage financing;
- governmental regulations and environmental matters;
- our substantial leverage;
- competitive conditions within our industry;
- the availability of capital; and
- our ability to effect our growth strategies successfully.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in additional documents incorporated into this prospectus supplement by reference should be consulted.

See the section entitled Risk Factors.

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Prospectus Supplement Summary

This is only a summary of the offering. To fully understand an investment in the notes, you must consider this prospectus supplement, the accompanying prospectus and the detailed information incorporated into them by reference, including the financial statements and their accompanying notes. Unless the context otherwise requires, the terms ***D.R. Horton,*** *the* ***Company,*** ***we*** *and* ***our*** *refer to D.R. Horton, Inc., a Delaware corporation, and its predecessors and subsidiaries.*

We are a national homebuilder. We construct and sell single-family homes in metropolitan areas of the Mid-Atlantic, Midwest, Southeast, Southwest and West regions of the United States. We offer high quality homes, designed principally for first-time and move-up home buyers. Our homes generally range in size from 1,000 to 5,000 square feet and range in price from $80,000 to $900,000. For the year ended September 30, 2002, we closed 29,761 homes with an average closing sales price approximating $219,400. For the six months ended March 31, 2003, we closed 15,402 homes with an average closing sales price approximating $223,600.

We are one of the largest and most geographically diversified homebuilders in the United States, with operating divisions in 20 states and 44 markets. The markets we operate in include: Albuquerque, Atlanta, Austin, Birmingham, Charleston, Charlotte, Chicago, Colorado Springs, Columbia, Dallas, Denver, Fort Collins, Fort Myers/Naples, Fort Worth, Greensboro, Greenville, Hawaii, Hilton Head, Houston, Inland Empire (Southern California), Jacksonville, Killeen, Las Vegas, Los Angeles, Maryland-D.C., Miami/West Palm Beach, Minneapolis/St. Paul, Myrtle Beach, New Jersey, Oakland, Orange County, Orlando, Phoenix, Portland, Raleigh/Durham, Sacramento, Salt Lake City, San Antonio, San Diego, San Francisco, Seattle/Tacoma, Tucson, Ventura County and Virginia-D.C.

We build homes under the following names: D.R. Horton, Arappco, Cambridge, Continental, Dietz-Crane, Dobson, Emerald, Melody, Milburn, Regency, Schuler, SGS Communities, Stafford, Torrey, Trimark and Western Pacific.

Our financial reporting segments consist of homebuilding and financial services. Our homebuilding operations are a substantial part of our business, comprising more than 98% of consolidated revenues in fiscal 2000, 2001 and 2002. Our homebuilding operations segment generates the majority of its revenues from the sale of completed homes with a lesser amount from the sale of land and lots. Our financial services segment generates its revenues from originating and selling mortgages and collecting fees for title insurance and closing services. Financial information, including revenue, pre-tax income and identifiable assets, for both of our reporting segments is included in our consolidated financial statements.

Donald R. Horton began our homebuilding business in 1978. In 1991 we were incorporated in Delaware to acquire the assets and businesses of our predecessor companies which were residential home construction and development companies owned or controlled by Mr. Horton. In the last nine fiscal years, we have acquired 17 other homebuilding companies, including Schuler Homes which we acquired on February 21, 2002. Schuler strengthened our market position in several markets, including California, while expanding our geographic presence and product offerings in other markets in the West region.

Our principal executive offices are at 1901 Ascension Blvd., Suite 100, Arlington, Texas 76006, our telephone number is (817) 856-8200, and our Internet website address is *www.drhorton.com*. Information on our Internet website is not part of this prospectus supplement.

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Recent Developments

Call for Redemption of Zero Coupon Convertible Senior Notes Due 2021

On May 27, 2003, we called all of our Zero Coupon Convertible Senior Notes due 2021 for redemption on the redemption date of June 26, 2003. On the redemption date, the redemption price for such convertible notes will be approximately $561.9557 per $1,000 principal amount at maturity. The convertible notes are convertible into our common stock until 5:00 p.m. New York City time on June 25, 2003. The conversion rate of the convertible notes is 26.2391 shares of our common stock per $1,000 principal amount at maturity. The aggregate principal amount at maturity of the convertible notes is $381,113,000. Based on the accreted value of the convertible notes on June 25, 2003, the conversion rate would equate to a conversion price of approximately $21.41 per share. On June 18, 2003, the last reported sales price of our common stock on the NYSE was $31.05 per share. If none of the convertible notes is converted, the aggregate cash redemption price for all of the outstanding convertible notes would be approximately $214,168,630.

Additional Director

Our board of directors recently named Michael R. Buchanan to be a new independent director and member of our audit committee effective June 26, 2003. Mr. Buchanan has 31 years of commercial banking experience with Bank of America and its predecessors, serving the real estate and homebuilding sectors. From 1990 to 1998, he was an executive vice president of NationsBank until it was merged with Bank of America and thereafter, until he retired in March 2002, he served as a managing director of Bank of America and head of its national real estate banking group. From March 2002 until March 2003, Mr. Buchanan served as a senior advisor to Banc of America Securities.

Quarterly Cash Dividend

In April 2003, we declared a cash dividend of seven cents ($0.07) per share, which is a 17% increase over the six cents ($0.06) per share quarterly cash dividend declared in the same quarter of 2002. The quarterly cash dividend, in an aggregate amount of $10.2 million, was paid on May 20, 2003.

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The Offering

Issuer	D.R. Horton, Inc., a Delaware corporation.
The Notes	$100 million aggregate principal amount of 5.875% Senior Notes due 2013.
Maturity	July 1, 2013.
Payment of Interest	Interest will accrue from June 25, 2003 and will be payable semi-annually on each January 1 and July 1, commencing January 1, 2004.
Guarantees	Each guarantor is our wholly owned subsidiary that is a restricted subsidiary under the supplemental indenture for these notes. However, not all of our wholly owned subsidiaries are guarantors of these notes. If we cannot make payments on the notes when they are due, the guarantor subsidiaries must make them.
Optional Redemption	We may redeem all or some of the notes, beginning on July 1, 2008, at the redemption prices listed in the section entitled Description of Notes under the heading Optional Redemption.
	At any time on or before July 1, 2006, we may redeem these notes with the net cash proceeds of one or more public equity offerings by us, at a redemption price equal to 105.875% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of redemption, so long as at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding.
Change of Control	Upon a change of control as described in the section Description of Notes, you will have the right to require us to purchase some or all of your notes at 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. We can give no assurance that upon such an event we will have sufficient funds to purchase any of your notes.
Ranking	These notes are our general obligations and will not be secured by any collateral. Your right to payment under these notes will be: • junior to the rights of our secured creditors to the extent of the value of their security in our assets;

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- equal with the rights of creditors under our other unsecured unsubordinated debt, including our revolving credit facility; and
- senior to the rights of creditors under our debt that is expressly subordinated to these notes.

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

- junior to the rights of secured creditors to the extent of their security in the guarantors assets;
- equal with the rights of creditors under the guarantors other unsecured unsubordinated debt, including the guarantors guarantee of our revolving credit facility; and
- senior to the rights of creditors under the guarantors debt that is expressly subordinated to the guarantees.

At March 31, 2003, assuming we had completed both the sale of our 6.875% senior notes due 2013 and this offering of notes on that date and the net proceeds were used to redeem our 10% senior notes due 2006, to reduce borrowings under our revolving credit facility and to redeem the $100.0 million aggregate principal amount outstanding of our 9% senior notes due 2008, D.R. Horton, Inc. and the guarantors would have had approximately $2,747.0 million of debt outstanding, including the notes being offered by this prospectus supplement. Of this debt, $88.5 million would have been secured debt, $2,057.2 million would have been unsubordinated unsecured debt that ranked equally with the notes being offered by this prospectus supplement, and $501.3 million would have been subordinated to these notes. In addition, at such date, our non-guarantor subsidiaries had approximately $347.3 million of debt outstanding.

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Certain Covenants	We will issue the notes under an indenture as supplemented by a supplemental indenture (the indenture). The indenture, among other things, restricts our ability and the ability of our restricted subsidiaries to: • borrow money; • pay dividends on our common stock; • repurchase our common stock; • make investments in subsidiaries that are not restricted; • use assets as security in other transactions; • sell assets outside the ordinary course of business; • merge with or into other companies; and • enter into certain transactions with our affiliates. If these notes are rated investment grade by both Standard and Poor s Rating Group and Moody s Investor Service, Inc., certain of these covenants would cease to apply. For more details, see the section Description of Notes under the heading Certain Covenants.
Use of Proceeds	We intend to use the proceeds from the offering and borrowings under our revolving credit facility to redeem the $100.0 million aggregate principal amount outstanding of our 9% senior notes due 2008 at a redemption price of 104.5% of their principal amount plus accrued interest. We intend to call such notes for redemption promptly upon completion of this offering. For more details, see the section Use of Proceeds.

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Summary Consolidated and Pro Forma Combined Financial Information and Operating Data

The following summary consolidated financial information for the five years ended September 30, 2002, is derived from our audited consolidated financial statements. On April 20, 1998, we consummated a merger with Continental Homes Holding Corp., which was treated as a pooling of interests for accounting purposes. Therefore, all financial amounts have been restated as if we had been combined throughout the periods presented. The following summary consolidated financial information for the six months ended March 31, 2003 and 2002, is derived from our unaudited consolidated financial statements.

The following unaudited summary pro forma combined financial information gives effect to our acquisition of Schuler. The unaudited pro forma combined condensed statements of income for the year ended September 30, 2002, including the pro forma adjustments and accompanying notes, are incorporated herein by reference to the Form 8-K we filed with the SEC on April 15, 2003. The unaudited summary pro forma combined income statement information for the year ended September 30, 2002, assumes the acquisition occurred on October 1, 2001. The financial information about Schuler included in the pro forma combined information for the year ended September 30, 2002 has been derived from the Schuler (and its predecessor) unaudited financial statements.

The unaudited summary pro forma combined financial statement information has been included for comparative purposes only. The unaudited summary pro forma combined financial statement information does not purport to show what the financial position or operating results would have been if the acquisition had been consummated as of the date indicated and should not be construed as representative of future operating results.

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	D.R. Horton for the Fiscal Years Ended September 30,					Pro Forma Combined with Schuler for the Fiscal Year Ended September 30,	D.R. Horton Six Months Ended March 31,	
	1998	1999	2000	2001	2002	2002	2002	2003
	(in millions, except for number of homes and ratio of earnings to fixed charges)							
Income Statement Data:								
Revenues:								
Homebuilding	$ 2,155.0	$ 3,119.0	$ 3,604.2	$ 4,383.6	$ 6,625.2	$ 7,200.2	$ 2,711.2	$ 3,575.5
Financial services	21.9	37.3	49.5	72.0	113.6	113.6	48.8	78.0
Gross profit	394.9	570.5	663.1	856.4	1,260.8	1,382.8	509.3	710.5
Income before income taxes:								
Homebuilding	152.0	250.7	294.5	380.8	591.1	643.9	237.5	344.0
Financial services	7.1	13.1	14.7	27.0	56.4	56.4	22.3	41.1
Cumulative effect of change in accounting principle, net of income taxes(1)				2.1				
Net income(2)	93.4	159.8	191.7	257.0	404.7	436.7	162.4	239.7
Selected Operating Data:								
Gross profit margin	18.3%	18.3%	18.4%	19.5%	19.0%	19.2%	18.8%	19.9%
Number of homes closed	13,944	18,395	19,144	21,371	29,761	31,780	12,330	15,402
New sales orders, net (homes)(3)	15,952	18,911	19,223	22,179	31,491	33,620	13,761	17,800
New sales orders, net ($ value)(3)	$ 2,533.2	$ 3,266.2	$ 3,676.4	$ 4,502.6	$ 6,885.9	$ 7,560.1	$ 2,854.9	$ 4,138.0
Sales backlog at end of period (homes)(4)	6,341	7,309	7,388	9,263	12,697	12,697	12,398	15,095
Sales backlog at end of period ($ value)(4)	$ 1,052.9	$ 1,356.5	$ 1,536.9	$ 1,933.8	$ 2,825.2	$ 2,825.2	$ 2,663.7	$ 3,518.9
Other Financial Data:								
Interest expensed:								
Expensed directly	$ 16.2	$ 16.5	$ 15.8	$ 14.1	$ 11.5	$ 12.5	$ 6.1	$ 3.9
Amortized to cost of sales	48.0	58.2	69.6	91.4	136.1	155.8	51.7	89.2
Provision for income taxes	65.7	104.0	117.5	152.9	242.8	263.6	97.4	145.4
Depreciation and amortization	9.4	20.3	22.0	31.2	32.8	38.5	11.0	18.8
Interest incurred(5)	70.4	81.0	110.0	136.3	204.3	228.2	85.6	120.5
Ratio of earnings to fixed charges(6)	3.13x	4.10x	3.52x	3.69x	3.82x	NA	3.65x	3.88x

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	D.R. Horton					D.R. Horton	
	As of September 30,					As of March 31,	
	1998	1999	2000	2001	2002	2002	2003
Balance Sheet Data:							