

Quarterly Review: Revolving Credit Terms Are Tightening For Several U.S. Homebuilders

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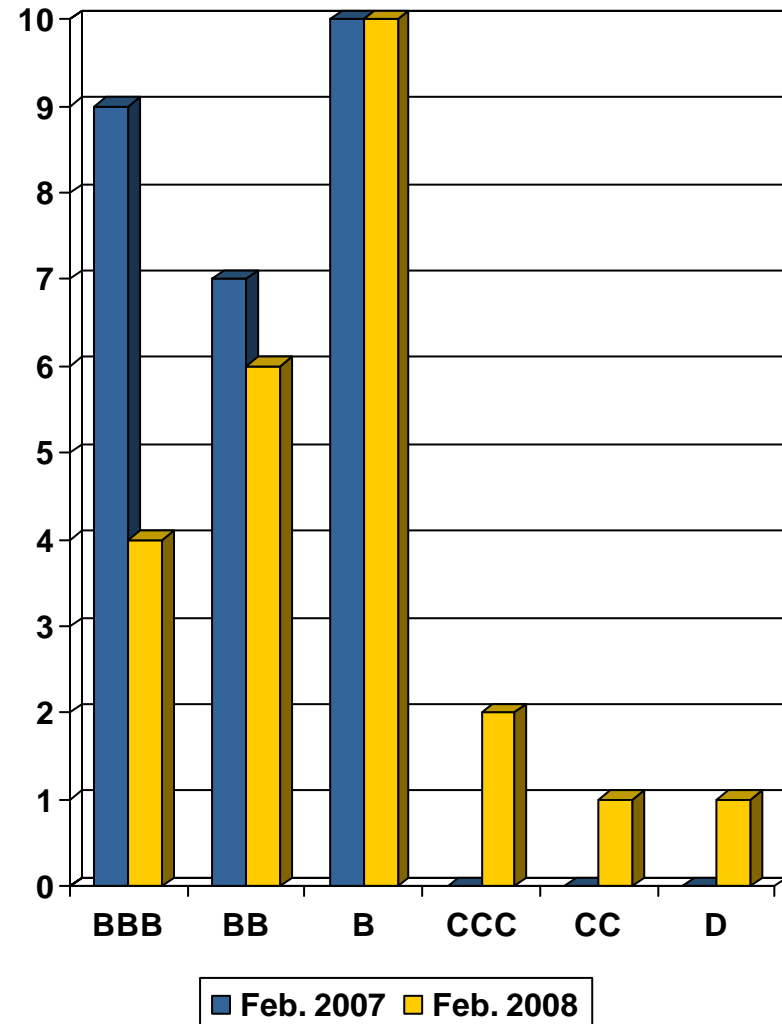
Agenda

- **Introduction**
- **Rating Activity And Outlook**
- **FAS 109 Charges And Amendments**
- **Issuer Ranking: Strongest To Weakest**
- **Q&A.**

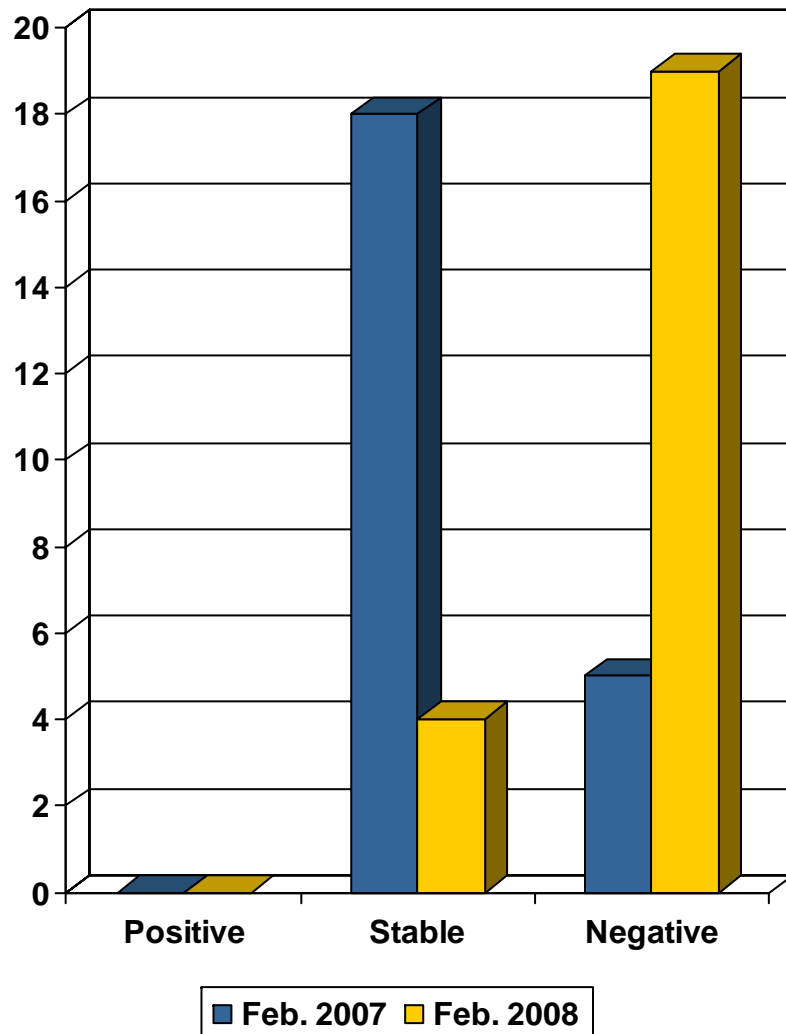
Credit Quality Continues to Deteriorate

- **Recent Downgrades**

- **Beazer:** covenant pressure
- **Centex:** operating losses
- **Hovnanian:** liquidity constraints
- **Kimball Hill:** potential restructuring
- **M/I Homes:** liquidity constraints
- **Meritage:** deteriorating ratios
- **Rhodes:** severe liquidity pressure
- **Standard Pacific:** liquidity pressure
- **Stanley Martin:** negligible equity
- **TOUSA:** Chapt. 11 filing

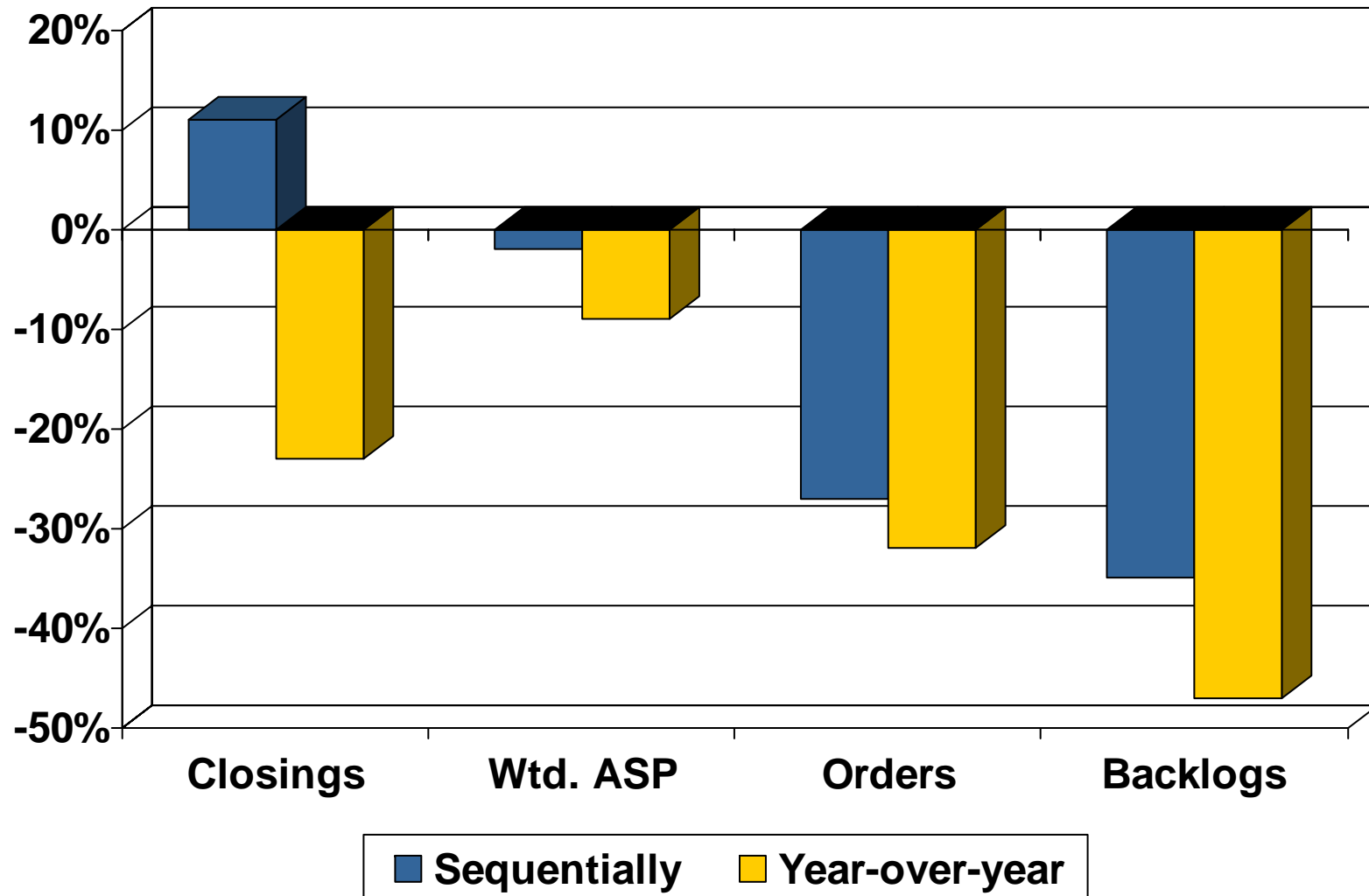


Ratings Outlook Decisively Negative



- **19 of 24 Builders Now Negative**
- **TOUSA Chapter 11**
- **Downgrades To Mount**
 - Recession fears loom
 - Pricing pressures continue
 - Weak operating results
 - Non-cash charge adding to covenant pressures
 - Potential for restructurings rises

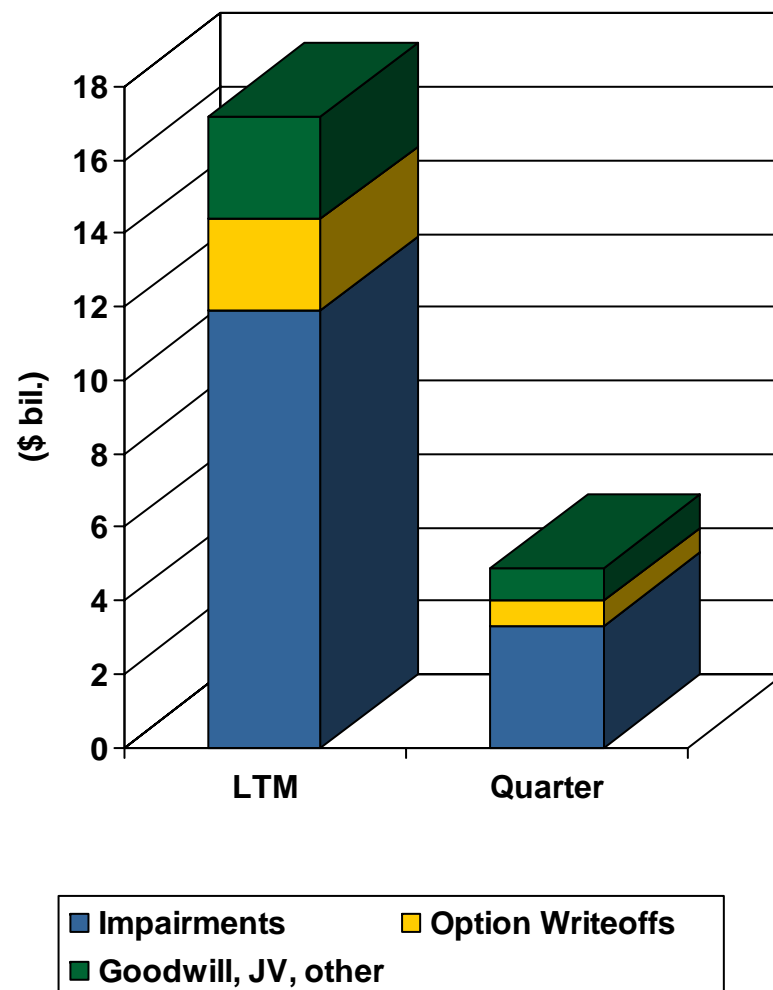
Operating Trends Show No Sign Of Improving



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Non-Cash Charges Erode Shareholder Equity

- **\$17.1 billion of charges over the last four quarters.**
- **\$4.9 billion of charges in the most recent quarter.**
- **Excludes FAS 109 Charges**
 - Deferred tax assets
 - Differing interpretations complicates peer analysis
 - Potential charges will be reversed
 - Driving another round of waivers and amendments



Homebuilders Seek Covenant Relief, Again

- **Credit Agreements Amended in 2008**
 - D.R. Horton
 - KB Home
 - Lennar
 - MDC
 - Pulte
 - Ryland
 - WCI
- **Seeking Covenant Relief**
 - Centex
 - Hovnanian
 - Standard Pacific
 - Others?

Issuer Ranking: U.S. Homebuilders

Rank	Company	Corporate Credit Rating	Business Risk	Financial Risk
1	NVR Inc.	BBB-/Stable	Satisfactory	Intermediate
2.	MDC Holdings	BBB-/Stable	Satisfactory	Intermediate
3.	Toll Brothers	BBB-/Stable	Satisfactory	Intermediate
4.	Ryland Group	BBB-/Negative	Satisfactory	Intermediate
5.	D.R. Horton	BB+/Negative	Weak	Intermediate
6.	Pulte Homes	BB+/Negative	Satisfactory	Aggressive
7.	KB Home	BB+/Negative	Satisfactory	Aggressive
8.	Centex Corp	BB+/Negative	Satisfactory	Aggressive
9.	Lennar Corp	BB+/Negative	Satisfactory	Aggressive
10.	Meritage Homes	BB-/Negative	Weak	Aggressive

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Issuer Ranking: U.S. Homebuilders

Rank	Company	Corporate Credit Rating	Business Risk	Financial Risk
11	Standard Pacific	B+/Negative	Weak	Aggressive
12.	M/I Homes	B+/Negative	Vulnerable	Intermediate
13.	Ashton Woods	B+/Negative	Vulnerable	Intermediate
14.	Stanley-Martin	B+/Negative	Vulnerable	Intermediate
15.	William Lyon	B/Negative	Vulnerable	Highly Leveraged
16.	McMillin Cos.	B/Negative	Weak	Highly Leveraged

Issuer Ranking: U.S. Homebuilders

Rank	Company	Corporate Credit Rating	Business Risk	Financial Risk
17.	Beazer Homes	B/WatchNeg	Vulnerable	Aggressive
18.	Hovnanian	B-/Negative	Vulnerable	Highly Leveraged
19.	Rhodes Cos.	CCC+/ WatchNeg	Vulnerable	Highly Leveraged
20.	WCI Communities	CCC/Negative	Vulnerable	Highly Leveraged
21.	Kimball Hill	CC/Negative	Vulnerable	Highly Leveraged
22.	TOUSA Inc.	D	n.a.	n.a.

On RatingsDirect

- **Industry Report Card: Revolving Credit Terms Are Tightening For U.S. Homebuilders**
- **Issuer Ranking: U.S. Homebuilders, Strongest To Weakest**
- **S&P Is Monitoring U.S. Homebuilder Ratings In Anticipation Of Future SFAS 109 Charges**

Q&A
